



JOE GQABI DISTRICT  
MUNICIPALITY

# **DRAFT CONSOLIDATED ANNUAL REPORT**

**2017/18 Financial Year**

January 2019

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## CHAPTER 1: MAYOR'S FOREWORD AND EXECUTIVE SUMMARY

### 1.1 EXECUTIVE MAYOR'S FOREWORD

This Annual Report provides an account of the service delivery efforts and strides that were implemented by the Joe Gqabi District municipality during the 2017/18 financial year. Our programme of implementation is in line with the priorities of the national and provincial government with regard to extending universal access to basic services, creation of job opportunities, rural development, improving education and health, fighting crime and corruption in an environment that creates sustainable and resilient communities. To further these goals and aspirations it requires government to build a democratic developmental state capable of mobilising all sectors of society towards a common goal of improving the quality of life for all our residents, with a particular focus on the poor. Promotion of social cohesion and nation building will contribute immensely towards the attainment of our goals.

The District has managed to maintain a high-level alignment and linkages between its programmes and those of national and provincial government. The relationship between the medium term strategic framework (MTSF), 12 Priority Outcomes and role of Local Government, Provincial Strategic Priorities, Outcome 9 Agreement inform the Strategic Focus Areas of the JGDM. Our Strategic focus areas are also clearly linked to the social and economic development trajectory of the District as directly informed by the District communities. As contained in the annual performance matrixes of the JGDM and JoGEDA it is evident that there are performance areas that either fall or are dependent on the actions of other spheres of government to be achieved. The blue drop and green drop results, Working for Water and Working for Wetlands, capturing of job opportunities created, revenue collection, etc are some of the examples of performance area that are influenced by actions of other spheres of government. Thus, we will continue our strides towards ensuring improved intergovernmental relations with regard to planning, implementation and reporting.

On the front of public participation and accountability, the JGDM implemented various programmes aimed at ensuring community and stakeholder participation in the planning, implementation and monitoring of our service delivery interventions. The IDP preparation process involved an extensive consultation and participation of communities, role players and key stakeholders in order to achieve a shared understanding of the municipal development trajectory and alignment. Various community and stakeholder participation initiatives were undertaken during the year under review.

The Executive Mayor's Community consultation programme with the community was concluded in March 2019 with a State of the District Address that was held in Sterkspruit. This was preceded by the community participation engagements that were held in all our local municipalities. The District also participated in Mayoral Outreaches of the local municipalities between March and May 2017. Issues identified through these engagements range from matters District and local municipality competence to those of other spheres of government. Key issues include lack of water and sanitation services, high youth unemployment, unavailability of government service departments in most small towns, illegal connections to the municipal services infrastructure, rising crime rate and poor condition of roads.

Other critical consultative and engagement structures such as the traditional leaders' forum, District Mayors' forum, technical support group, IDP and budget representative forum, disaster management forum, transport forum, agricultural forum, Women Economic Empowerment forum, IGR clusters, etc continued to function throughout the year. With

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regard to the functionality of IGR clusters, initiatives to strengthen cluster engagements are underway as only the Social Cluster continued to work throughout the period under review.

With regard to labour issues, the Local Labour Forum has been established in terms of the bargaining Council agreement. The forum continued to meet and three meetings were held during the last financial year. The District has two unions operating: viz; South African Municipal Workers Union (SAMWU) and IMATU. The LLF subcommittee meetings were held bimonthly. This resulted in the existence of functionally professional and cordial relations between labour and the employer.

The positive and professional interface between the political and administrative arms of the District municipality also had an immense contribution on the achievement of the planned initiatives and actions.

We once again pride ourselves as this District Council for having attained a clean audit opinion from the Auditor General for the 2017/18 financial year. This is in the backdrop of the audit results for the 2014/15 and 2015/16 financial years which were also clean. One of the 2018 institutional strategic planning session goals was to deal with all issues that led to the District achieving an unqualified audit opinion. It pleases me to report to our communities that we have achieved this goal. This goes to confirm that public funds under the custody of the District municipality are indeed in good and safe hands.



**Ald. ZI Dumzela**  
**Executive Mayor**

Date: 17 January 2019


## 1.2 MUNICIPAL MANAGER'S FOREWORD

In terms of Section 155 of the Constitution of the Republic of South Africa, the Joe Gqabi District municipality is a category C municipality, which means that it has municipal executive and legislative authority in an area that includes more than one municipality. The JGDM is legislated to perform a number of functions. The service delivery functions of the District municipality are water, sanitation, municipal health services, municipal planning, and disaster management. The District shares the responsibility on tourism, planning with its local municipalities. Additional powers and functions are allocated to the District municipality through service level agreements such as the roads function in which there is an active agreement between the Department of Roads and Transport with the District Municipality whereby the District maintains gravel roads in the Walter Sisulu local municipality.

The Joe Gqabi Economic Development Agency (JoGEDA), which is an economic development entity of the District, has a mandate to deliver on the economic outcomes envisioned in the District's GDS Summit Agreements. JoGEDA's mandate is further aligned to the IDPs of all the municipalities within the Joe Gqabi District. JoGEDA primary purpose is to be a strategic and robust economic growth special purpose vehicle focusing on investment promotion in key priority areas that would stimulate trade and industry whilst providing opportunities for job creation within the District. The combined efforts of assessing through feasibility studies, packaging through investment promotion and facilitation of economic development through the various catalytic projects will enable the region to meet its growth targets. JoGEDA has now reached full blown operational phase. The main focus is to ensure the implementation of the catalytic projects. JoGEDA co-ordinates local economic development activities and catalytic interventions, with the support of JGDM and also engages with public sector departments and private sector companies for the implementation of the identified projects and other development programmes. With regard to the provision of access to a basic level of water, the new water installations constituted repairs of old infrastructure and therefore the target was not achieved resulting in material misstatement in the reported performance.

With regard to management changes in relation to senior managers directly reporting to the Municipal Manager, all post were filled and incumbents signed performance agreements. Top Management posts include the Municipal Manager, Director Community Services, Chief Operations Officer, Director Corporate Services, Director Technical Services, CFO and Manager WSP. A new directorate called Institutional Advancement and Support was established and the post was filled in the third quarter of the year and a performance agreement was signed.

The commitment of the Political and Administrative leadership of the District to sound and accountable government has led the District retaining its clean audit outcome from the Auditor General. This confirms the effectiveness and efficiency of our governance structures such as the Council, Municipal Public Accounts Committee, Mayoral Committee, Audit Committee, Risk Committees and other structures of Council. The professional and responsible conduct by all the employees of the District played an important part in the achievements realised during the year under review.

  
**ZA Williams**  
Municipal Manager

17 January 2019

| Dependency Ratio                         |        |        |
|--|--------|--------|
| Per 100 (15-64)                          | 71.7   | 71.3   |
| Sex Ratio                                |        |        |
| Males per 100 females                    | 89.8   | 89.8   |
| Population Growth                        |        |        |
| Per annum                                | 1.53%  | n/a    |
| Labour Market                            |        |        |
| Unemployment rate (official)             |        |        |
| Youth unemployment rate (official) 15-34 |        |        |
| Education (aged 20 +)                    |        |        |
| No schooling                             | 8.0%   | 14.5%  |
| Matric                                   | 19.5%  | 14.1%  |
| Higher education                         | 5.8%   | 5.9%   |
| Household Dynamics                       |        |        |
| Households                               | 95 107 | 97 470 |
| Average household size                   | 3.9    | 3.4    |
| Female headed households                 | 46.9%  | 49.3%  |
| Formal dwellings                         | 69.6%  | 60.4%  |
| Housing owned                            | 71.7%  | 61.3%  |
| Household Services                       |        |        |
| Flush toilet connected to sewerage       | 28.2%  | 23.9%  |
| Weekly refuse removal                    | 34.1%  | 28.1%  |
| Piped water inside dwelling              | 19.2%  | 17.6%  |
| Electricity for lighting                 | 60.0%  | 69.1%  |

## CHAPTER 2 – GOVERNANCE

Governance is defined as the exercise of political, economic and administrative authority in the management of a municipality's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences.

### Component A: Governance Structures

#### Political Governance Structure

The Joe Gqabi District Municipality has an executive mayoral system. The District has five standing committees which are chaired by portfolio councillors. With regard to the frequency of meetings, the Council met at least quarterly as well as and when required. Furthermore, for all the above-mentioned structures, special meetings were convened as and when necessary. The high level accountability structure of the District is depicted in figure 2 below.

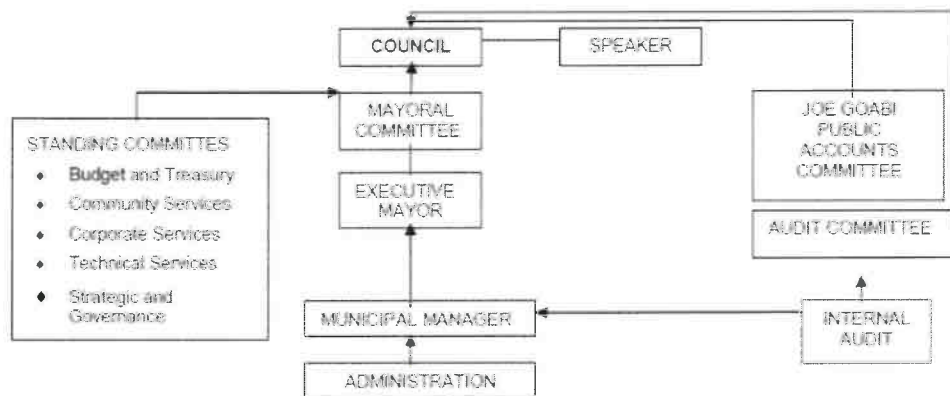


Figure 2: High level accountability structure of the District



## 2.2 Political Leadership



Figure 3: Political leadership

### 2.3 Administrative Governance Structure

The Municipal Manager and his team of seven senior managers lead the institution. A new Directorate, Institutional Support and Advancement, was established by Council during the year under review and an incumbent was appointed in December 2017. All the senior management posts were filled during the year under review with signed performance agreements.



Figure 4: Administration

In terms of the Municipal Structures Act, 117 of 1998, Section 18(2), a municipal council must meet at least quarterly. A municipal Council may also establish one or more committees necessary for the effective and efficient performance of any of its functions or the exercise of any of its powers (Municipal Structures Act, 117 of 1998, Section 79). The table below provides an overview of the number of meetings held in 2016/17 and 2017/18.

Table 2: Meetings held

| DC14                    | 2016/17 | 2017/18 |
|-------------------------|---------|---------|
| Council meetings        | 12      | 13      |
| MPAC meetings           | 6       | 5       |
| Exco/Mayco meetings     | 11      | 10      |
| Audit and risk meetings | 5       | 6       |
| Ward committee meetings | N/A     | N/A     |

## 2.4 Component B: Intergovernmental Relations

The IDP and Budget Representative Forum allow members to represent the interests of their constituents in the IDP and budget processes. It also provides an organizational mechanism for discussion, negotiation and decision making between the stakeholders including the municipal government. The forum met quarterly.

The traditional leader's forum, which is chaired by the Speaker of the District was functional throughout the year and various meetings were held focusing on the initiation programme. The main purpose of the forum is to create a dialogue and discussion platform between the municipality and traditional leadership and it ensures participation of traditional leadership in matters of local government. Traditional leaders also participated in Council meetings.

A number of LED related stakeholder forums existed during the year including the Agricultural Forum and the District Tourism Organisation. Various community and stakeholder participation initiatives were undertaken on an ongoing basis

## Component C: Public Accountability and Participation

The Executive Mayor's Community outmarch programme with the community was conducted in all local municipalities. The District also participates in Mayoral Outreaches of the local municipalities. Issues identified through these engagements range from matters of the District and local municipality competence to those of other spheres of government.

## 2.5 IDP Participation and Alignment

| IDP Participation and Alignment Criteria*                                      | Yes/No |
|--|--------|
| Does the municipality have impact, outcome, input, output indicators?          | Yes    |
| Does the IDP have priorities, objectives, KPIs, development strategies?        | Yes    |
| Does the IDP have multi-year targets?  | Yes    |
| Are the above aligned and can they calculate into a score?                     | Yes    |
| Does the budget align directly to the KPIs in the strategic plan?              | Yes    |
| Do the IDP KPIs align to the Section 57 Managers                               | Yes    |
| Do the IDP KPIs lead to functional area KPIs as per the SDBIP?                 | Yes    |
| Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes              | Yes    |
| Were the indicators communicated to the public?                                | Yes    |
| Were the four quarter aligned reports submitted within stipulated time frames? | Yes    |
| T 2.5.1  |        |

## Component D: Corporate Governance

### 2.6 Risk management

All entities face uncertainty and the challenge for management is to determine how much uncertainty it is prepared to accept as it strives to grow stakeholder value. Enterprise risk management will enable management to identify, assess the face of uncertainty and is therefore integral to value creation and preservation. With regard to risk management within the District, risk registers were developed and are reviewed annually. Actions plans are reviewed quarterly. A risk committee was established and is functional. The committee evaluates progress on the action plans.

The top five risks for the institution are as follows:

| No | Risk description  | Mitigation / intervention  |
|----|---|--|
| 1. | Social economic status of local area <ul style="list-style-type: none"> <li>• High unemployment and dependency</li> <li>• Rural nature and vastness of the District</li> <li>• Limited economic activities</li> </ul> | <ul style="list-style-type: none"> <li>▪ Comprehensive LED strategy and implementation plan (that is under review)</li> <li>▪ Platforms in place for Stakeholder and Community Participation (agricultural forum, tourism forums, cooperative forums etc.)</li> <li>▪ Approved LED structure in the organogram</li> <li>▪ EPWP Programme</li> <li>▪ Coordination of various economic programmes</li> <li>▪ Economic programmes coordinated in the district area</li> </ul> |
| 2. | Governance <ul style="list-style-type: none"> <li>• Constant communications with communities</li> <li>• Ability to address community priorities</li> </ul>  | <ul style="list-style-type: none"> <li>▪ IDP prepared each year to try to focus interventions in a coordinated manner</li> <li>▪ JGDM has developed and approved Community Participation Strategy.</li> <li>▪ IDP reviewed and amended annually.</li> <li>▪ Planning processes reviewed in order to factor in disaster occurrences i.e. Trend analysis.</li> </ul>   |
| 3. | Regulatory compliance <ul style="list-style-type: none"> <li>• Risk of legislative non-compliance</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Legal section is in place.</li> <li>▪ Appointment of an external legal firm for additional support</li> <li>▪ "Mbuli Commission" visits staff once a year to disseminate information on policies of the institution</li> <li>▪ Compliance framework has been implemented</li> <li>▪ - New HR legislation and amendments have been implemented</li> </ul>  |
| 4. | Staff attraction and retention <ul style="list-style-type: none"> <li>• Risk of high staff turnover</li> <li>• Risk of institutional continuity</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Policies allow for possible deviations in remuneration package (example Retention policy)</li> <li>▪ Recruitment and selection policies and procedures implemented</li> <li>▪ Majority of S56 positions are filled</li> <li>▪ Skills Development Policy developed</li> </ul>  |



|   |   |   |
|---|---|---|
|   |   | <ul style="list-style-type: none"> <li>▪ Reviewed relevant HR policies including the recruitment policy.</li> <li>▪ Performance Management policy in place</li> </ul>   |
| 5 | Implementation of systems and processes <ul style="list-style-type: none"> <li>• Risk of internal control lapses</li> </ul> | <ul style="list-style-type: none"> <li>▪ Staff are trained on performances and implementation of IDPs and Workplace skills plans</li> <li>▪ IDP policy in place</li> <li>▪ IDP office coordinates all plans and monitors compliance</li> <li>▪ Staff keep abreast with skills for new legislative changes</li> <li>▪ Staff in all sections prepare or coordinate development of statutory plans and service delivery obligations / performance obligations for all management.</li> </ul> |

## 2.7 Anti-Corruption and Fraud

As its policy stance on fraud and corruption, the policy of the JGDM is zero tolerance to fraud and corruption. All fraud and corruption allegations are investigated and followed up once reported and all remedies available are applied within the full extent of the law. Prevention controls include the existing financial and other controls and checking mechanisms as prescribed in the systems, policies and procedures of Joe Gqabi District Municipality. In order to minimize the occurrence of fraud and corruption the District has implemented various mechanisms which include division of duties, internal audit review of processes and adherence thereto, Audit Committees that exclude politicians and officials as voting members, condemnation by mayor and municipal manager of corrupt practices and involvement of the police as soon as grounds for suspicion become evident.

## 2.8 Supply Chain Management

The Supply Chain Management (SCM) function of the District is centralized under the Finance Department. This was implemented with a view of strengthening the capacity and ability of the District to comply with the MFMA and National Treasury Regulations. All these mechanisms and systems seek to ensure that SCM arrangements provide appropriate goods and services, offer best value for money and minimize the opportunities for fraud and corruption. The District has an approved SCM policy which is reviewed annually. Key policy objectives of the policy include the following:

- The Policy includes empowerment goals and objectives which strives towards ensuring that historically disadvantaged individuals (HDIs) are presented an opportunity to participate and function in the mainstream of the economy.
- A supplier development programme is also under consideration.

## 2.9 By-laws

The JGDM has the following by-laws:

| Newly Developed       | Revised | Public Participation Conducted Prior to Adoption (Yes/No) | Dates of Public Participation | By-Laws Gazetted* (Yes/No) | Date of Publication |
|-----------------------|---------|---|-------------------------------|----------------------------|---------------------|
| Community Fire Safety | N/A     | Yes   | October 2009                  | Yes                        | 11 September 2009   |
| Passenger Transport   | N/A     | Yes   | October 2009                  | Yes                        | 11 September 2009   |
| Water Services        | N/A     | Yes   | March 2008                    | Yes                        | 07 March 2008       |

With regard to the development and review of MHS bylaws, a number of public participation engagements took place during the year under review. There were 29 public participation engagement meetings from July 2017 until March 2018. The District is committed to ensuring that all its by-laws are fully implemented. Technical capacity in terms appointment of staff, training of available staff, exploration of partnership possibilities and sourcing additional funding are some of the options being considered by the District.

## 2.10 WEBSITES

| Municipal Website: Content and Currency of Material  |                 |
|--|-----------------|
| Documents published on the Municipality's / Entity's Website   | Yes / No        |
| Current annual budget and all budget-related documents   | Yes             |
| Current Adjustment Budget  | Yes             |
| All current budget-related policies  | Yes             |
| The previous annual report (2016/17 FY)  | Yes             |
| The annual report (2017/18 FY) published/to be published   | To be published |
| All current performance agreements required in terms of section 57(1)(b) of the Municipal Systems Act (2017/18 FY) and resulting scorecards            | Yes             |
| All service delivery agreements (2017/18 FY)   | No              |
| All long-term borrowing contracts (2017/18 FY)   | No              |
| All supply chain management contracts above a prescribed value   | Yes             |
| An information statement containing a list of assets over a prescribed value that were disposed of in terms of section 14 (2) or (4) during 2017/18 FY | No              |
| Contracts agreed in 2017/18 FY to which subsection (1) of section 33 apply, subject to subsection (3) of that section                                  | Yes             |
| Public-private partnership agreements referred to in section 120   | N/A             |

|  |     |
|--|-----|
| All quarterly reports tabled in the council in terms of section 52 (d) | Yes |
|--|-----|

Currently all the information required is and as it becomes available placed on the website for public attention. The relevant staff were exposed to various training initiatives which are intended to continue to improve compliance.

## 2.11 Statutory Annual Report Process

| No. | Activity   | Time frame          | Status     |
|-----|--|---------------------|------------|
| 1   | Consideration of next financial year's Budget and IDP process plan. Except for the legislative content, the process plan should confirm in-year reporting formats to ensure that reporting and monitoring feeds seamlessly into the Annual Report process at the end of the Budget/IDP implementation period | July                | Done       |
| 2   | Implementation and monitoring of approved Budget and IDP commences (In-year financial reporting).  |                     | Done       |
| 3   | Finalise the 4th quarter Report for previous financial year  |                     | Done       |
| 4   | Submit Annual Performance Report to Internal Audit and Auditor-General   |                     | Done       |
| 5   | Submit draft 2017/18 FY Annual Report to Internal Audit and Auditor-General  |                     | Done       |
| 6   | Municipal entities submit draft annual reports to MM   |                     | Done       |
| 7   | Audit / Performance committee considers draft Annual Report of municipality and entities (where relevant)  | August              | Done       |
| 8   | Mayor tables the unaudited Annual Report   |                     | In process |
| 9   | Municipality submits draft Annual Report including consolidated annual financial statements and performance report to Auditor General  |                     | In process |
| 10  | Annual Performance Report as submitted to Auditor General to be provided as input to the IDP Analysis Phase  |                     | In process |
| 11  | Auditor General audits Annual Report including consolidated Annual Financial Statements and Performance data   | September - October | In process |
| 12  | Municipalities receive and start to address the Auditor General's comments   | November            | In process |
| 13  | Mayor tables Annual Report and audited Financial Statements to Council complete with the Auditor- General's Report   |                     | In process |
| 14  | Audited Annual Report is made public and representation is invited   |                     | In process |
| 15  | Oversight Committee assesses Annual Report   |                     | In process |
| 16  | Council adopts Oversight Report  | March               | In process |
| 17  | Oversight report is made public  |                     | In process |
| 18  | Oversight report is submitted to relevant provincial councils  | March               | In process |
| 19  | Commencement of draft Budget/ IDP finalisation for next financial year. Annual Report and Oversight Reports to be used as input  |                     | In process |

## CHAPTER 3 – SERVICE DELIVERY PERFORMANCE REPORT

### 3.1 Service delivery summary

As depicted in the annual performance report, the District is continuing to make significant strides in addressing service delivery backlogs. Moving forward, key initiatives that must be undertaken include a focus on reducing water losses through various means that include more efficient use of water, addressing water losses occurring within the water and sanitation infrastructure, installation of water meters for both bulk infrastructure and consumers, eliminating illegal connections, improving the billing system, recruitment and appointment of peace officers to deal with water wastage and leaks as well as a hydro-survey of all water sources to determine sustainability and availability of potable water source. The aged bulk water and sanitation infrastructure all needs to be revived through targeted investments in operations and maintenance. Thus, the following are critical issues the District is currently trying to address:



Table 3: Water and sanitation issues

| AREA         | CHALLENGE   | SOLUTION EMPLOYED  | SOLUTION PLANNED  |
|--------------|---|--|---|
| Mt Fletcher  | Full VIP Toilets                                      | Emptying of VIP (started)  | In progress   |
| Maclear      | Full VIP Toilets                                      | Emptying of VIP (started)  | Started   |
|              | Aged Water Supply Infra                               | Refurbishment of Aucamp WTW about to be completed  | In progress   |
|              | Insufficient Water Supply to Greenfield and Sonwabile | New water supply scheme started but slow   | Front loading will ensure adequate funds and speedy implementation of new project from July onward.   |
| Ugie         | Lack of sanitation infrastructure in most areas       | Construction of bigger septic tanks started  | A proper sanitation project is needed. This is planned but not yet started by PMU   |
| Barkly East  | Inadequate raw water supply and clear water storage   | Construction of a bigger pumping main (stalled)  | Completion of the pumping main, upgrade of the WTW and augmentation of the clear water storage.   |
| Lady Grey    | Water Shortage  | In process   | Planned new dam   |
| Rossouw      | Water Shortage - Drought.                             | Water Carting  | Continued water carting. Attempts for more boreholes failed as no water was found underground.  |
| Aliwal North | Sewage spillages                                      | Daily honey suckig and high pressure jetting/repairs   | New sewer lines needed for Area 13, Dukathole and Hilton  |
| Jamestown    | Sewage spillages                                      | Daily Honey Sucking  | New sewer lines needed for the whole town   |
| Burgersdorp  | Water Shortage  | Water Restrictions   | New pipeline needed to convey water from Steynsburg to Burgersdorp  |
|              | Sewage spillages                                      | Service Provider appointed to construct some sections for a midterm relief. Otherwise more work is required for a long term relief | Scope of work needs to be extended for a long term relief. To cover parts of the town and WWTW.   |
| Sterkspruit  | Water Shortage  | Water Carting and quick-wins project   | Jovelani Water Supply and Herschel Pipeline Projects should continue for a huge impact. Quick wins project to be completed elsewhere in the villages. Illegal connection a HUGE challenge |





The District is implementing water conservation and demand management which aims of a WCDMP needs to include:

- Improve efficiency of asset operation and maintenance (O&M)
- Reduce and regulate water consumption
- The conservation of scarce water resources
- To improve revenue collection

|                                    | 2017/18 FY | 2016/17 FY | 2015/16 FY | 2014/15 FY | 2013/14 FY |
|------------------------------------|------------|------------|------------|------------|------------|
| <b>Water</b>                       |            |            |            |            |            |
| Blue Drop Score                    | n/a        | n/a        | n/a        | n/a        | 74.69      |
| Is the municipality responsible to | Yes        | Yes        | Yes        | Yes        | Yes        |

provide?

|  |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
| Does the municipality have infrastructure to provide?    | Yes    | Yes    | Yes    | Yes    | Yes    |
| Does the municipality actually provide?                  | Yes    | Yes    | Yes    | Yes    | No     |
| Is the service outsourced/commercialised?                | No     | No     | No     | No     | No     |
| Number of households provided with potable water service | 0      | 0      | 5934   |        | 0      |
| Number of domestic households                            | 73 257 | 73 257 | 73 257 | 73 088 | 70 182 |
| Inside the yard  | 41 774 | 41 774 | 41 774 | 41 678 | 41 297 |
| Less than 200m from yard                                 | 31 483 | 31 483 | 31 483 | 31 410 | 18 745 |
| More than 200m from yard                                 | 0      | 0      | 0      | 0      | 10 140 |
| Domestic households with access to free basic service    | 14 176 | 14 176 | 14 176 | 11 178 | 0      |
| <b>Sanitation</b>  |        |        |        |        |        |
| Green Drop Score   | n/a    | n/a    | n/a    | n/a    | n/a    |
| Is the municipality responsible to provide?              | Yes    | Yes    | Yes    | Yes    | Yes    |
| Does the municipality have infrastructure to provide?    | Yes    | Yes    | Yes    | Yes    | Yes    |
| Does the municipality actually provide?                  | Yes    | Yes    | Yes    | Yes    | Yes    |
| Is the service outsourced/commercialised?                | No     | No     | No     | No     | No     |
| Number of households provided with sanitation service    | 5065   | 6190   | 6334   | 6454   |        |
| <b>Number of households using</b>                        |        |        |        |        |        |
| Flush toilet - public sewerage                           | 23 699 | 23 699 | 23 699 | 23 523 | 23 009 |
| Flush toilet - septic tank                               | 2 914  | 2 914  | 2 914  | 2 906  | 2 880  |
| Ventilated pit latrine                                   | 67178  | 62133  | 55 943 | 48 467 | 46 294 |
| Bucket system  | 0      | 0      | 0      | 0      | 1 729  |
| Other  | 0      | 0      | 0      | 0      | 0      |
| Domestic households with access to free basic service    | 14 176 | 14 176 | 14 176 | 11 178 | 0      |

 = Target achieved and or exceeded (> 90%)  = target not achieved (< 74%)  = information not yet available  = significant progress (75 - 90%) has been achieved    N/A = No target was set for the quarter in the approved SDBIP \* -  
 target and or indicator refined and aligned

### 3.2 PERFORMANCE ON PRE-DETERMINED PERFORMANCE OBJECTIVES

= Target achieved and or exceeded (> 90%), = target not achieved (< 74%), = information not yet available, = significant progress (75 - 90%) has been achieved, N/A = No target was set for the quarter in the approved SDBIP.

## KPA 1: Service Delivery and Infrastructure provision

| STRATEGIC OBJECTIVE              | PROGRAMME  | KPI NUMBER | KEY PERFORMANCE INDICATOR                             | PAST PERFORMANCE 2016/17 FY |        | CURRENT PERIOD 2017/18 FY |        | Snapshot | Variance  | Corrective Action  | Evidence  |
|----------------------------------|--|------------|---|-----------------------------|--------|---------------------------|--------|----------|---|--|---|
|                                  |  |            |   | Target                      | Actual | Target                    | Actual |          |   |  |   |
| Provide access to basic services | SD01: Develop and maintain water and sanitation infrastructure | SD01-01    | % compliance with SANS 241 for drinking water quality | 97%                         | 95.18% | 97%                       | 94.5%  |          | Quality compromised due to old and aging infrastructure that compromises clean water when distributed   | JGDM will continue to lobby for funding to replace old and aging infrastructure and reservoirs | BDS report  |
|                                  |  | SD01-02    | Number of reservoirs constructed                      | N/A                         | N/A    | 15                        | 18     |          | Additional budget was larger portion of the allocated budget spent allocated to the reservoirs due to the need to mitigate against possible droughts prevailing   | None. No additional budget utilised  | 1. Report to Standing Committee<br>2. Closeout report |
|                                  |  | SD01-03    | Number of new water sources provided                  | N/A                         | N/A    | 5                         | 6      |          | Larger Efficient use of existing budget allowed for portion of the allocated budget spent - was prioritised for additional boreholes due to the need to mitigate against possible droughts same budget prevailing drought | None. No additional budget utilised  | 1. Report to MayCo                                    |





🎯 = Target achieved and or exceeded (> 90), 🚧 = target not achieved (< 74), 📄 = information not yet available, 📈 = significant progress (75 - 90%) has been achieved, N/A = No target was set for the quarter in the approved SDLP.

[illegible]

= Target achieved and or exceeded (> 90%)  
 = Target not achieved (< 74%)  
 = Information not yet available  
 = Significant progress (75 - 90%) has been achieved  
 N/A = No target was set for the quarter in the approved SDBIP \*

| STRATEGIC OBJECTIVE | PROGRAMME | KPI NUMBER | KEY PERFORMANCE INDICATOR                                       | PAST PERFORMANCE 2016/17 FY |        | CURRENT PERIOD 2017/18 FY |        | Snapshot | Variance  | Corrective Action   | Evidence  | Formatted |
|---------------------|-----------|------------|---|-----------------------------|--------|---------------------------|--------|----------|---|---|---|-----------|
|                     |           |            |   | Target                      | Actual | Target                    | Actual |          |   |   |   |           |
|                     |           | SD03-04    | Number of households provided with potable water connections    | N/A                         | N/A    | 5000                      | 0      |          | The Elundini rural water project was delayed at procurement stage due to stringent Orio (funder) compliance conditions. This resulted in no new potable water connections. The Orio budget is still available               | JGDM will await the Orio approval process to unfold. A clearance certificate has been received to allow works to proceed. | 1. Report to Standing Committee<br>2. Closeout report | Formatted |
|                     |           |            |   |                             |        |                           |        |          |   |   |   | Formatted |
|                     |           | SD03-05    | Number of households provided with sanitation service (toilets) | N/A                         | N/A    | 5000                      | 5065   |          | The increase over the target was due to There was the audit of the prior FY which resulted in some VIP toilets being indicated as being relevant in the current FY. No budget implication carry over for prior year target. | None. No budget implication.  | 1. Report to Standing Committee<br>2. Closeout report | Formatted |
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= Target achieved and or exceeded (> 90%) = target not achieved (< 74%) = information not yet available. = significant progress (75 - 90%) has been achieved N/A = No target was set for the quarter in the approved SDBJP. \* - target and or indicator refined and aligned

| STRATEGIC OBJECTIVE | PROGRAMME | KEY PERFORMANCE INDICATOR | PAST PERFORMANCE 2016/17 FY |        | CURRENT PERIOD 2017/18 FY |        | Snapshot | Variance | Corrective Action | Evidence |                     |
|---------------------|-----------|---------------------------|-----------------------------|--------|---------------------------|--------|----------|----------|-------------------|----------|---------------------|
|                     |           |                           | Target                      | Actual | Target                    | Actual |          |          |                   |          |                     |
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= Target achieved and exceeded (> 90%), = target not achieved (< 74%), = information not yet available, = significant progress (75 - 90%) has been achieved, N/A = No target was set for the quarter in the approved SDBIP \*.

| target and or indicator refined and aligned |   |            |   |                             |         |                           |          |          |  |                                 |           |           |
|---|---|------------|---|-----------------------------|---------|---------------------------|----------|----------|--|---------------------------------|-----------|-----------|
| STRATEGIC OBJECTIVE                         | PROGRAMME   | KPI NUMBER | KEY PERFORMANCE INDICATOR                   | PAST PERFORMANCE 2016/17 FY |         | CURRENT PERIOD 2017/18 FY |          | Snapshot | Variance   | Corrective Action               | Evidence  | Formatted |
|   |   |            |   | Target                      | Actual  | Target                    | Actual   |          |  |                                 |           |           |
|   | SD05: Support rehabilitation of road networks in the District | SD05-01    | Number of kilometres of gravel roads graded | 2800 km                     | 2429 km | 2800km                    | 2158 kms |          | <p>There were insufficient number of truck drivers and heavy plant operators due to OHS requirements/limitations. For the first time in 2018 (from the 12-year period of the contract with DPW) the DoL issued a directive to stop operations until licences and competency certificates were issued. This did not negatively impact on budget as the DoRT had decreased the budget available for the year due to their own financial challenges which would have affected the attainment of the target.</p> <p>Non-compliance issues were addressed. Licences and COCs were issued in July 2018. Work is since proceeding. No new staff will be employed without a valid operator certificates. A register of operator certificates has been established to ensure timely renewal. No budget implication.</p> | 1. Report to Standing Committee | Formatted |           |
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👉 = Target achieved and or exceeded (> 90%) 📉 = target not achieved (< 74%) 📊 = information not yet available 📈 = significant progress (75 - 90%) has been achieved N/A = No target was set for the quarter in the approved SDBIP \* -  
target and or indicator refined and aligned

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= Target achieved and exceeded (> 90%), = target not achieved (< 74%), = information not yet available, = significant progress (75 - 90%) has been achieved, = No target was set for the quarter in the approved SDBIP.

## KPA 2: Local Economic Development

| STRATEGIC OBJECTIVE   | PROGRAMME   | KEY PERFORMANCE INDICATOR  | PAST PERFORMANCE<br>2016/17 FY  |        | CURRENT PERIOD<br>2017/18 FY |   | Variance  | Corrective Action   | EVIDENCE   | Formatted |
|---|---|--|---|--------|------------------------------|---|---|---|--|-----------|
|   |   |  | Target  | Actual | Target                       | Actual  |   |   |  |           |
| Facilitate and implement job creation and poverty alleviation initiatives | LED01: Implement and expand implementation of EPWP and other job creation initiatives | Number of jobs created through local economic development initiatives including capital projects | 2 000 job opportunities created (capital projects)                          | 888    | 2 050                        | 655 560   | <p>A total of 614 work opportunities were captured on the MIS for the year. Target could not be met due to a number of projects being completed and some being delayed. No budget implication. Not all 560 work opportunities were captured on the MIS for the year by the DoL.</p> <p>PPW employees are being recruited for the JGDM to capture on the MIS</p> | <p>Projects that were on hold are now starting to move. The municipality is in the process of recruiting an EPWP Technologist and two Data Capturers which will allow JGDM to capture on the MIS and ensure all employees are captured. No budget implication.</p> <p>EPWP Technologist and two data-capturers are being recruited for the JGDM to capture on the MIS</p> | <p>1. Report to Standing Committee</p> <p>2. Employment report to the funder</p> | Formatted |
|   | LED02: Implement working for water and working for wetlands                           | Number of jobs created through working for water and working for wetlands                        | 1256 job opportunities created (Working for Water and Working for Wetlands) | 1 228  | 104                          | 102 jobs were achieved by first half of the year against a target of 42 | <p>No funds materialised. Only Working for Wetlands funds received for employment due to working for water contract extension non-compliance by DEA. Allocation to be used by 31</p>  | Engaged DEA in attempting to set up a meeting with the Minister of DEA. JGDM will continue to request progress on the NRM contract signature for the 2018/19 financial year. No   | <p>1. Report to Standing Committee</p> <p>2. Employment report to the funder</p> | Formatted |



🎯 = Target achieved and/or exceeded (> 90). 🚩 = target not achieved (< 74). 🏠 = information not yet available. 🏆 = significant progress (75 - 90%) has been achieved  
 N/A = No target was set for the quarter in the approved SDBIP. \*

| STRATEGIC OBJECTIVE    | PROGRAMME   | KPI NUMBER | KEY PERFORMANCE INDICATOR                                  | PAST PERFORMANCE<br>2016/17 FY |        | CURRENT PERIOD<br>2017/18 FY |        | Snapshot | Variance | Corrective Action   | EVIDENCE                     | Formatted<br>... [325] |
|------------------------|---|------------|--|--------------------------------|--------|------------------------------|--------|----------|----------|---|------------------------------|------------------------|
|                        |   |            |  | Target                         | Actual | Target                       | Actual |          |          |   |                              |                        |
|                        |   |            |  |                                |        |                              |        |          |          |   |                              |                        |
|                        | LED03:<br>Support and facilitate rural development and poverty alleviation programmes | LED03-01   | Number of initiatives implemented on livestock improvement | N/A                            | N/A    | 1                            | 0      |          | None     | Management will report on the number of initiatives implemented at year end based on the number of initiatives implemented on livestock improvement | Report to Standing Committee | Formatted<br>... [326] |
|                        |   |            |  |                                |        |                              |        |          |          |   |                              | Formatted<br>... [327] |
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| STRATEGIC OBJECTIVE  | PROGRAMME  | KPI NUMBER | KEY PERFORMANCE INDICATOR                                   | PAST PERFORMANCE<br>2016/17 FY |        | CURRENT PERIOD<br>2017/18 FY      |              | Snapshot | Variance   | Corrective Action  | EVIDENCE   | Formatted: Font: 9 pt, Not Bold, No underline, Font color: Auto |
|--|--|------------|---|--------------------------------|--------|-----------------------------------|--------------|----------|--|--|--|---|
|  |  |            |   | Target                         | Actual | Target                            | Actual       |          |  |  |  |   |
| Facilitate and support regional economic development initiatives | LED04: Facilitate and actively participate in youth, women and disability development programmes | LED04-01   | Number of SMME Economic Empowerment initiatives implemented | N/A                            | N/A    | 1                                 | 1            |          | None   | None   | 1. Report to Standing Committee                            | Formatted: Font: Not Bold, No underline, Font color: Auto       |
|  |  |            |   | N/A                            | N/A    | 30%                               | 0            |          | No new capital infrastructure projects were procured during the year as all are currently multiyear projects.  | None. Continue to monitor in the 2018/19 FY.   | 1. Procurement report to Standing Committee                | Formatted: Font: Not Bold, No underline, Font color: Auto       |
|  |  |            |   | N/A                            | N/A    | Free Wi-Fi hotspot in Sterkspruit | Not achieved |          | The procurement processes took longer than anticipated. USAASA requested that the project be delayed in order to partner with the JGDM to enhance impact of the project. The budget was not spent. | Scheduled for the first quarter of the 2018/19 FY. An MoU is in the process of drafting. The plan is to achieve the target in the second quarter of 2018/19 FY. No rollover. | 1. Proof of installation. 2. Reports to Standing Committee | Formatted: Font: 9 pt   |
| Facilitate and support regional economic development initiatives | LED05: Facilitate and actively participate in youth, women and disability development programmes | LED05-02   | Number of spots where free Wi-Fi is implemented/ installed  | N/A                            | N/A    | Free Wi-Fi hotspot in Sterkspruit | Not achieved |          | The procurement processes took longer than anticipated. USAASA requested that the project be delayed in order to partner with the JGDM to enhance impact of the project. The budget was not spent. | Scheduled for the first quarter of the 2018/19 FY. An MoU is in the process of drafting. The plan is to achieve the target in the second quarter of 2018/19 FY. No rollover. | 1. Proof of installation. 2. Reports to Standing Committee | Formatted: Font: 9 pt   |
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### KPA 3: Financial Viability and Management

| STRATEGIC OBJECTIVE  | PROGRAMME   | KPI NUMBER | KEY PERFORMANCE INDICATOR  | PAST PERFORMANCE<br>2016/17 FY |        | CURRENT PERIOD<br>2017/18 FY |        | Snapshot | Variance   | Corrective action  | EVIDENCE                      | DIRECTORATE        |
|--|---|------------|--|--------------------------------|--------|------------------------------|--------|----------|--|--|-------------------------------|--------------------|
|  |   |            |  | Target                         | Actual | Target                       | Actual |          |  |  |                               |                    |
| Ensure sound and effective financial management and reporting <b>Finance</b> | FM01: Comply with all statutory financial management and reporting requirements | FM01-01    | % of capital budget actually spent on capital projects identified in the IDP | 100%                           | 84%    | 100%                         | 64%    |          | In the unbundling of capital assets at year end, operational costs were identified under the capital vote. These were then reallocated negatively affecting the attainment of this indicator. However all grant conditions were met. | Improve planning around operational and capital expenditure in the WSP | Income and expenditure report | Technical Services |
|  |   | FM01-02    | Cost coverage ratio  | 2.02                           | 15     | 2.02                         | 1      |          | There were cashflow challenges during the year that required careful management.   | Improve cashflow through collection of outstanding monies              | S71 Report to Council         | Finance            |

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| STRATEGIC OBJECTIVE | PROGRAMME | KPI NUMBER | KEY PERFORMANCE INDICATOR  | PAST PERFORMANCE 2016/17 FY |        | CURRENT PERIOD 2017/18 FY |        | Snapshot | Variance  | Corrective action   | EVIDENCE                      | DIRECTORATE        |
|---------------------|-----------|------------|--|-----------------------------|--------|---------------------------|--------|----------|---|---|-------------------------------|--------------------|
|                     |           |            |  | Target                      | Actual | Target                    | Actual |          |   |   |                               |                    |
|                     |           | FM01-03    | % of budget actually spent on implementing workplace skills plan | 100%                        | 100%   | 100%                      | 75%    |          | Delay in expenditure owing to procurement challenged in the appointment of a Training Agent. The budget was not spent.      | A training agent has been appointed. Training will be conducted in the first quarter of the new financial year. <del>No roll over</del> | Income and Expenditure report | Corporate Services |
|                     |           | FM01-04    | % of operational budget allocated for repairs and maintenance    | N/A                         | N/A    | 8%                        | 8%     |          | None  | None  | 1. Approved budget            | Finance            |
|                     |           | FM01-05    | Debt coverage ratio  | 2.03                        | 14     | 2.03                      | 20     |          | The institution does not have debt and the long term loans are nearing the end of their term.                               | <del>None</del>   | S71 Report to Council         | Finance            |
|                     |           | FM01-06    | Outstanding service debtors to revenue ratio                     | 1.8                         | 3.85   | 1.8                       | 0.31   |          | There is insufficient revenue collected from service debtors due to the inability to cut off water on outstanding accounts. | Continue to install prepaid water meters.   | Debtors Report                | Finance            |

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| STRATEGIC OBJECTIVE | PROGRAMME | KPI NUMBER | KEY PERFORMANCE INDICATOR   | PAST PERFORMANCE 2016/17 FY                     |  | CURRENT PERIOD 2017/18 FY                            |  | Snapshot | Variance   | Corrective action   | EVIDENCE  | DIRECTORATE  |
|---------------------|-----------|------------|---|---|--|--|--|----------|--|---|---|--|
|                     |           |            |   | Target  | Actual   | Target   | Actual   |          |  |   |   |  |
|                     |           | FM01-07    | Annual Financial statements developed by August 2017                    | Annual Financial statements developed by August | Annual financial statements developed internally by August | Annual Financial Statements developed by August 2017 | Annual Financial Statements developed by August 2017 |          | None   | None<br>1. AFS<br>2. Council resolution<br>3. Proof of submission to AG | 1. AFS<br>2. Council resolution<br>3. Proof of submission to AG | Formatted: Indent: Left: 0 cm, Right: 0 cm<br>Formatted: Font: Wingdings, 14 pt<br>Formatted: Font: 9 pt |
|                     |           | FM01-08    | % of operational budget actually spent                                  | 100%  | 86.5%  | 100%   | 95%  |          | None   | None  | 1. Income and Expenditure report - 2. Audited AFS               | Formatted: Font: 9 pt<br>Formatted: Highlight  |
|                     |           | FM01-09    | % of conditional grants spent   | 100% (MIG)                                      | 100% (MIG)   | 100%   | 100%   |          | None   | None  | Income and expenditure report                                   | Formatted: Font: 9 pt  |
|                     |           | FM01-10    | % of Working for Wetland rehabilitation programme budget spent          | 100%  | 100%   | 100%   | 113%   |          | Spent all of current years received funds and amounts remaining from the three year allocation and all interest. | None  | 1. Grant expenditure report<br>2. Income and Expenditure report | Formatted: Font: 9 pt  |
|                     |           | FM01-11    | % of alien plants eradication programme (working for water budget spent | 100%  | 99.69%   | 100%   | 0%   |          | No new contracts signed (no budgets provided) due to DEA's internal processes.                                   | Follow up with DEA on new contract                                      | 1. Grant expenditure report<br>2. Income and Expenditure report | Formatted: Highlight<br>Formatted: Font: 9 pt<br>Formatted: Highlight                                    |

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| STRATEGIC OBJECTIVE   | PROGRAMME  | KPI NUMBER | KEY PERFORMANCE INDICATOR                                | PAST PERFORMANCE<br>2016/17 FY |           | CURRENT PERIOD<br>2017/18 FY                         |  | Snapshot | Variance   | Corrective action   | EVIDENCE   | DIRECTORATE |
|---|--|------------|--|--------------------------------|-----------|--|--|----------|--|---|--|-------------|
|   |  |            |  | Target                         | Actual    | Target   | Actual   |          |  |   |  | Finance     |
|   | FM02:<br>Implement revenue collection and enhancement strategy initiatives | FM02-01    | % of billed revenue collected                            | N/A                            | N/A       | 100%   | 30%  |          | Water cannot be terminated due to nonpayment of meters   | Continue to implement installation of prepaid meters                                  | 1. Report to Standing Committee                                  | Finance     |
|   |  | FM02-02    | Install pre-paid meter readers                           | N/A                            | N/A       | Prepaid meters installed in Maclear and Aliwal North | Prepaid meters installed in Aliwal North and not achieved in Maclear |          | Due to the challenges of availability of water in all parts of Maclear the programme was initiated in all of Walter Sisulu and Senqu towns. 1396 meters were installed N/A | Improve public participation to accept pre paid installations across the district N/A | 1. Closeout report<br>2. Report to Standing Committee            | Finance     |
|   | FM03:<br>Implement anti-fraud and anti-corruption measures                 | FM03-01    | Number of anti-fraud and anti-corruption workshop        | 1                              | 1         | 1  | 1  |          | None   | None  | 1. Attendance Register<br>2. Report to Standing Committee        | OMM         |
|   |  | FM03-02    | Number of SCM quarterly reports submitted to the Council | 4 reports                      | 3 reports | 4  | 43   |          | None Report not yet submitted to Council   | None Report due in August 2018 but submitted  | 1. SCM reports submitted to the Council<br>2. Council resolution | Finance     |
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#### KPA 4: Institutional Development and Transformation

| STRATEGIC OBJECTIVE                           | PROGRAM ME  | KPI NUMBER | KEY PERFORMANCE INDICATOR   | PAST PERFORMANCE Baseline |        | CURRENT PERIOD (2017/18 FY) |               | Snapshot | Variance   | Shape of Corrective Action    | EVIDENCE   | Formatted: Font: (Default) Arial, 10 pt, Bold, Font color: Text 1 |
|---|---|------------|---|---------------------------|--------|-----------------------------|---------------|----------|--|-------------------------------|--|---|
|   |   |            |   | Target                    | Actual | Target                      | Qrt. 4 Actual |          |  |                               |  | Formatted: Font: 10 pt  |
| Improve human resource capacity and potential | ID01: Effectively empower and develop the Council's workforce and communities | ID01-01    | Number of people from employment equity target groups employed in the three highest levels of management in compliance with EEP | 2                         | 10     | 23                          | 23            |          | None   | None                          | Report to Standing Committee   | Formatted: Font: 9 pt, Not Bold, Font color: Auto                 |
|   |   | ID01-02    | Number of Councilors' training initiatives undertaken   | 3                         | 5      | 5                           | 8             |          | Additional SALGA initiated 4 councillor trainings took place. There was implications on Subsistence and Travel costs due to the fact SALGA initiated additional trainings to the one planned for the quarter | None. No funding implications | 1. Attendance registers<br>2. Quarterly training reports to Training Committee | Formatted: Font: 9 pt, Not Bold, Font color: Auto                 |
|   |   | ID01-03    | MSCOA training initiatives undertaken for Staff and Councilors  | N/A                       | N/A    | 2                           | 2             |          | None   | None                          | 1. Attendance registers<br>2. Training report to Standing Committee            | Formatted: Font: 9 pt, Not Bold, Font color: Auto                 |
|   |   | ID01-04    | Number of internships & learnerships opportunities created  | 53                        | 70     | 53                          | 53            |          | None   | None                          | 1. Report to Standing Committee  | Formatted: Font: 9 pt, Not Bold, Font color: Auto                 |
|   |   |            |   |                           |        |                             |               |          |  |                               |  | Formatted: Font: 9 pt   |

| STRATEGIC OBJECTIVE | PROGRAM ME  | KPI NUMBER | KEY PERFORMANCE INDICATOR      | PAST PERFORMANCE Baseline |        | CURRENT PERIOD (2017/18 FY)      |               | Variance   | Snapshot                  | EVIDENCE                | Formatted: Font: 9 pt, Not Bold, Font color: Auto |
|---------------------|---|------------|--------------------------------|---------------------------|--------|----------------------------------|---------------|--|---------------------------|-------------------------|---|
|                     |   |            |                                | Target                    | Actual | Target                           | Qrt. 4 Actual |  |                           |                         |   |
|                     | ID02: Attract, retain and develop a base of scarce skills encourage skills transfer initiatives | ID02-01    | Fill all budgeted vacant posts | N/A                       | N/A    | All vacant budgeted posts filled | Not achieved  | All critical budgeted positions have been filled. However protracted recruitment and selection processes contributed to this target not being achieved. All critical budgeted positions have been filled. However protracted recruitment and selection processes contributed to this target not being achieved. Some posts were re-advertised where applicants did not meet the standards. There were also delays in the verification of qualifications. The budget was not spent. Some posts were not filled due to shortage of skills. | SnapshotCorrective Action | 1. Report to management | Formatted: Font: 9 pt, Not Bold, Font color: Auto |
|                     |   |            |                                |                           |        |                                  |               | Recruitment process will be strictly monitored. Term tender for the staff verification has reached bid evaluations and the process should be concluded in the first quarter of the 2018/19 FY. Subsequent to renovations of the building offices will be rationalised.   |                           |                         | Formatted: Font: Not Bold, Font color: Auto       |
|                     |   |            |                                |                           |        |                                  |               |  |                           |                         | Formatted: Font: Not Bold, Font color: Auto       |
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| STRATEGIC OBJECTIVE | PROGRAM ME  | KPI NUMBER | KEY PERFORMANCE INDICATOR   | PAST PERFORMANCE Baseline |            | CURRENT PERIOD (2017/18 FY) |               | Snapshot | Variance  | SnapshotCorrective Action   | EVIDENCE                              | Formatted: Font: 9 pt, Not Bold, Font color: Auto   |
|---------------------|---|------------|-----------------------------|---------------------------|------------|-----------------------------|---------------|----------|---|---|---------------------------------------|---|
|                     |   |            |                             | Target                    | Actual     | Target                      | Qrt. 4 Actual |          |   |   |                                       | Formatted: Font: 9 pt   |
|                     | ID03: Maintain conducive working conditions for staff | ID03-01    | Number of LLF meetings held | 4 meetings                | 4 meetings | 4                           | 33            | 33       | Meeting could not be held due to a disagreement between Labour and Management on interpretation of LRA and collective agreement | SALGA was sourced for interpretation (meeting held on 15 June 2018). None | 1. Minutes<br>2. Attendance Registers | Formatted: Font: 9 pt, Not Bold, Font color: Auto   |
|                     |   |            |                             |                           |            |                             |               |          |   |   |                                       | Formatted: Font: 9 pt   |
|                     |   |            |                             |                           |            |                             |               |          |   |   |                                       | Comment [F3]: Need a reason for variance as it is less than 80% of the target been reached. |
|                     |   |            |                             |                           |            |                             |               |          |   |   |                                       | Formatted: Font: 9 pt, Not Bold, Font color: Auto   |
|                     |   |            |                             |                           |            |                             |               |          |   |   |                                       | Formatted: Font: 9 pt   |
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#### KPA 5: Good Governance and Public Participation

| STRATEGIC OBJECTIVE                                       | PROGRAMME  | KPI NUMBER | KEY PERFORMANCE INDICATOR   | PAST PERFORMANCE 2016/17 FY                                |  | CURRENT PERIOD 2017/18 FY                          |  | Snapshot | Variance   | Corrective Action  | EVIDENCE   |
|---|--|------------|---|--|--|--|--|----------|--|--|--|
|   |  |            |   | Target   | Actual   | Target   | Actual   |          |  |  |  |
| Facilitate intergovernmental cooperation and coordination | GG01: Support and participate in intergovernmental cooperation initiatives | GG01-01    | Number of DIMAFO meetings held                                      | 2 meetings   | 2 meetings   | 2  | 2  | 👍        | N/A  | N/A  | 1. Minutes Attendance Register<br>2.                                       |
|   |  | GG02-01    | Number of Council meetings held                                     | 9 meetings   | 11 meetings  | 9  | 11   | 👍        | Additional meetings were held to finalise upper limits of Councilors and budget adjustment. There were subsistence and travel and sitting allowance budget implications. None. | Budget adjustment meeting is incorporated in Calendar of meetings. No budget implication. None.              | 1. Minutes Attendance Register<br>2.                                       |
|   | GG02: Create and maintain stakeholder engagement initiatives               |            |   |  |  |  |  |          |  | Senqu and WSLM scheduled for the second quarter of the 2018/19 FY. No follow-up. Budgeted in the 2018/19 FY. | 1. Community satisfaction survey report<br>2. Report to Standing Committee |
|   |  | GG02-02    | Conduct Community satisfaction survey                               | Community Satisfaction Survey conducted                    | Community Satisfaction Survey conducted                    | Community Satisfaction Survey conducted            | Community satisfaction survey conducted at Elundini LMNet achieved | 👍        |  |  |  |
|   |  | GG02-03    | Number of Mayoral outreach programs held in each Local Municipality | 1 Mayoral outreach program held in each Local Municipality | 1 Mayoral outreach program held in each Local Municipality | 1 Mayoral outreach held in each Local Municipality | 1 Mayoral outreach were held in each Local Municipality            | 👍        | None   | None   | 1. Attendance Registers<br>2. Outreach report                              |



| STRATEGIC OBJECTIVE | PROGRAMME | KPI NUMBER | KEY PERFORMANCE INDICATOR  | PAST PERFORMANCE 2016/17 FY |        | CURRENT PERIOD 2017/18 FY   |   | Snapshot | Variance | Corrective Action | EVIDENCE  | DIRECTOR  |
|---------------------|-----------|------------|--|-----------------------------|--------|---|---|----------|----------|-------------------|---|---|
|                     |           |            |  | Target                      | Actual | Target  | Actual  |          |          |                   |   |   |
|                     |           | GG02-04    | Hold State of the District Address   | N/A                         | N/A    | Annual State of the District Address held                         | Annual State of the District event was held                       |          | None     | None              | 1. Report to Standing Committee                             | Formatted: Font: 9 pt, Not Bold, Font color: Auto |
|                     |           | GG03-01    | Number of IDP/PMS, IT and Internal Audit support initiatives with local municipalities | N/A                         | N/A    | 3   | 3   |          | None     | None              | 1. Report to Standing Committee<br>2. Attendance Registers  | Formatted: Font: 9 pt                             |
|                     |           | GG04-01    | Number of reports on implementation of working for water and wetlands programme        | N/A                         | N/A    | 1   | 1   |          | None     | None              | 1. Report to Standing Committee                             | Formatted: Font: 9 pt                             |
|                     |           | GG05-01    | Number of public participation engagements held  | N/A                         | N/A    | 1 public participation engagement held in each local municipality | 1 public participation engagement held in each local municipality |          | None     | None              | 1. Reports to Standing Committee<br>2. Attendance registers | Formatted: Font: 9 pt                             |

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| STRATEGIC OBJECTIVE   | PROGRAMME                                   | KPI NUMBER | KEY PERFORMANCE INDICATOR                         | PAST PERFORMANCE 2016/17 FY                  |  | CURRENT PERIOD 2017/18 FY                       |   | Snapshot | Variance | Corrective Action | EVIDENCE  |
|---|---|------------|---|--|--|---|---|----------|----------|-------------------|---|
|   |   |            |   | Target                                       | Actual                                       | Target  | Actual  |          |          |                   |   |
| Establish and support municipal oversight systems, mechanisms and processes | GG06: Work closely with traditional leaders | GG06-01    | Number of traditional leaders forum meetings held | 4 meetings                                   | 3 meetings                                   | 4   | 4   |          | None     | None              | 1. Minutes<br>2. Attendance Register                |
|   | GG07: Ensure and maintain clean governance  | GG07-01    | Compile 2016/17 FY annual report                  | 2015/16 FY Annual Report approved by Council | 2015/16 FY Annual Report approved by Council | Annual Report approved by Council               | Annual Report was approved by Council               |          | None     | None              | 1. Approved Annual Report.<br>2. Council Resolution |
|   |   | GG07-02    | Compile 2018/19 FY MTEF Budget                    | 2016/17 FY MTEF Budget approved by Council   | 2017/18 MTEF Budget approved by Council      | 2017/18 MTEF Budget approved by Council         | 2018/19 MTEF Budget was approved by Council         |          | None     | None              | 1. Approved Budget<br>2. Council Resolution         |
|   |   | GG07-03    | Compile 2018/19 FY IDP                            | 2017/18 IDP reviewed and approved by council | 2017/18 IDP reviewed and approved by council | 2018/19 FY IDP compiled and approved by Council | 2018/19 FY IDP was compiled and approved by Council |          | None     | None              | 1. 2018/19 FY IDP<br>2. Council resolution          |
|   |   |            |   |  |  |   |   |          |          |                   |   |

= Target achieved and or exceeded (> 90%) = target not achieved (< 74%) = information not yet available = significant progress (75% - 90%) has been achieved N/A = No target was set for the quarter in the approved SDBIP \*

| STRATEGIC OBJECTIVE | PROGRAMME | KPI NUMBER | KEY PERFORMANCE INDICATOR  | PAST PERFORMANCE 2016/17 FY |                           | CURRENT PERIOD 2017/18 FY |                        | Snapshot | Variance | Corrective Action | EVIDENCE   | DIRECTOR  |
|---------------------|-----------|------------|--|-----------------------------|---------------------------|---------------------------|------------------------|----------|----------|-------------------|--|---|
|                     |           |            |  | Target                      | Actual                    | Target                    | Actual                 |          |          |                   |  |   |
|                     |           | GG07-04    | Number of signed performance agreements for Directors & Managers directly reporting to the Municipal Manager including the Municipal Manager | 7                           | 7                         | 8                         | 8                      |          | None     | None              | 78 signed performance agreements                         | Formatted: Font: 9 pt, Not Bold, Font color: Auto |
|                     |           | GG07-05    | Number of Institutional Risk Assessment workshops conducted  | 1                           | 1                         | 1                         | 1                      |          | None     | None              | 1. Attendance Register<br>2. Institutional Risk Register | Formatted: Font: 9 pt                             |
|                     |           | GG07-06    | Maintain clean audit outcomes  | Clean audit maintained      | Unqualified Audit opinion | Clean audit maintained    | Info not available yet |          | TBD      | TBD               | Audit report   | Formatted: Font: 9 pt                             |
|                     |           | GG07-07    | Number of MPAC meetings held   | 4 meetings                  | 4 meetings                | 4                         | 4                      |          | None     | None              | 1. Minutes<br>2. Attendance Registers                    | Formatted: Font: 9 pt                             |

= Target achieved and or exceeded (> 90%) = target not achieved (< 74%) = information not yet available. = significant progress (75 - 90%) has been achieved. N/A = No target was set for the quarter in the approved SDBIP.

| STRATEGIC OBJECTIVE   | PROGRAMME   | KPI NUMBER | KEY PERFORMANCE INDICATOR   | PAST PERFORMANCE 2016/17 FY   |   | CURRENT PERIOD 2017/18 FY |                               | Snapshot | Variance   | Corrective Action  | EVIDENCE   | Formatted: Font: 9 pt, Not Bold, Font color: Auto   |
|---|---|------------|---|---|---|---------------------------|-------------------------------|----------|--|--|--|---|
|   |   |            |   | Target  | Actual  | Target                    | Actual                        |          |  |  |  |   |
| Facilitate the development of a healthy and inclusive society | GG08: Facilitate Implementation of HIV and AIDS programmes                        | GG07-08    | Number of Audit and Performance Committee meetings held                     | 5 meetings  | 5 meetings  | 5                         | 46                            |          | An extra meeting was called to look at the draft AFS and APR. There were sitting allowance implications. | The extra meeting has been effected in the plan for the 2018/19 FY. No budget implication. | 1. Minutes<br>2. Attendance Registers                          | Formatted: Font: 9 pt   |
|   |   | GG07-09    | Number of institutional quarterly performance reports tabled before Council | 4 quarterly institutional performance reports tabled before Council | 4 quarterly institutional performance reports tabled before Council | 4                         | 4                             |          | None   | None   | 1. Quarterly report<br>2. Council resolution                   | Formatted: Font: 9 pt   |
|   |   | GG08-01    | Number of HIV & AIDS staff and councillor's workshops conducted             | N/A   | N/A   | 1                         | 1                             |          | None   | None   | 1. Attendance Registers<br>2. Report to Standing Committee     | Formatted: Font: 9 pt   |
|   |   | GG08-02    | Number of HIV & AIDS Community awareness campaigns conducted per LM         | N/A   | N/A   | 1                         | Partially achieved            |          | None/N/A   | None/N/A   | 1. Attendance Registers<br>2. Report to Standing Committee     | Formatted: Font: 9 pt   |
|   |   | GG09-01    | Hold District Mayoral Cup   | Annual District Mayoral Cup held                                    | Not Achieved  | District Mayoral Cup held | District Mayoral Cup was held |          | None/N/A   | None/N/A   | 1. Report to the Standing Committee<br>2. Attendance Registers | Formatted: Font: 9 pt   |
|   | GG09: Facilitate Implementation of programmes supporting the special groups (SPU) |            |   |   |   |                           |                               |          |  |  |  | Formatted: Not Highlight  |
|   |   |            |   |   |   |                           |                               |          |  |  |  | Formatted: Don't adjust space between Latin and Asian text, Don't adjust space between Asian text and numbers |
|   |   |            |   |   |   |                           |                               |          |  |  |  | Formatted: Font: (Default) Arial, 9 pt  |
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|   |   |            |   |   |   |                           |                               |          |  |  |  | Formatted: Font: 9 pt   |

🏆 = Target achieved and/or exceeded (> 90%) 🏆 = target not achieved (< 74), 🏆 = information not yet available, 🏆 = significant progress (75 - 90%) has been achieved  
 🏆 = target and/or indicator refined and aligned  
 N/A = No target was set for the quarter in the approved SDBIP.

| STRATEGIC OBJECTIVE  | PROGRAMME | KPI NUMBER | KEY PERFORMANCE INDICATOR            | PAST PERFORMANCE<br>2016/17 FY |        | CURRENT PERIOD<br>2017/18 FY         |        | Snapshot | Variance | Corrective Action | EVIDENCE                        |
|--|-----------|------------|--------------------------------------|--------------------------------|--------|--------------------------------------|--------|----------|----------|-------------------|---------------------------------|
|  |           |            |                                      | Target                         | Actual | Target                               | Actual |          |          |                   |                                 |
|  |           | GG09-02    | Hold District Sondela Youth Festival | N/A                            | N/A    | District Sondela Youth Festival held |        | 💡        |          |                   | 1. Report to Standing Committee |
| <ul style="list-style-type: none"><li>*The annual target based on the 2016 C.Ses together with 2016/17 actual figures and the planned connections for 2017/18 should have been 79%. There was a change in the methodology of calculation and now used the community survey 2016 from StatsSA status as the baseline as this is the most accurate relevant information.</li></ul> |           |            |                                      |                                |        |                                      |        |          |          |                   |                                 |

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- \*\*the annual target based on the 2016 CSes together with 2016/17 actual figures and the planned connections for 2017/18 should have been 84%. There was a change in the methodology of calculation and now used the community survey 2016 from STATSSastatssa as the baseline as this is the most accurate relevant information.
- \*\*\* this figure changed from the original SDBIPeddbp following review. This figure is not an accumulative figure but is a target for each of the quarters over the year. The number was to be maintained across the year.

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## Performance of JoGEDA for the period ended June 2018



### ANNUAL PERFORMANCE REPORT FOR PERIOD 01 JULY 2017 TO 30 JUNE 2018




| KPI (No.) | SUB-PROGRAMME TITLE  |  | TOURISM DEVELOPMENT                           |   |   |  | STRATEGIC GOALS 1  |  |                       |                       | SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE QOABI DISTRICT |                                   |  |  |
|-----------|----------------------|--|---|---|---|--|--|--|-----------------------|-----------------------|--|-----------------------------------|--|--|
|           | Snap shot Indicators |  |   |   |   |  | =Target achieved   |  | = Target not achieved |                       |  |                                   |  |  |
|           | Project              | Specific Deliverable (KPI)   | Baseline                                      | PAST PERFORMANCE<br>Planned (2016/17)   | Actual (2016/17)                        | CURRENT PERFORMANCE<br>Planned (2017/18)   | Actual (2017/18)   | Means of Verification for Annual Target  | Snap shot             | Deviation Explanation | Corrective Measures  | Responsible Person                |  |  |
| 1.1.1     | Alkwal Spu Resort    | Number of Projects requesting JQM to assist the tourism of reduced tourist capacity approval |   | New Indicator                           |   | 1. Report on requesting JQM to assist the tourism of reduced tourist capacity approval | 1. Report on requesting JQM to assist the tourism of reduced tourist capacity approval | 1. Report on requesting JQM to assist the tourism of reduced tourist capacity approval | None                  | None                  | None   | Chief Executive Officer           |  |  |
| 1.1.2     |                      | Number of Activities in operation in the Alkwal Spu  | Baseline data and funding approved in 2016/17 | 1. Quarterly secured for the Alkwal Spu | 1. Quarterly secured for the Alkwal Spu | 1. Quarterly secured for the Alkwal Spu  | 1. Quarterly secured for the Alkwal Spu  | 1. Quarterly secured for the Alkwal Spu  | None                  | None                  | None   | Business Analyst/Project Managers |  |  |

| KPI (No.) | SUB-PROGRAMME TITLE             |  |   | INFRASTRUCTURE AND PROPERTY DEVELOPMENT |               |                                  |                               |   | STRATEGIC GOALS 1                          |                       | SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE QOABI DISTRICT |                                   |
|-----------|---------------------------------|--|---|---|---------------|----------------------------------|-------------------------------|---|--|-----------------------|--|-----------------------------------|
|           | Snap shot Indicators            |  |   | =Target achieved                        |               |                                  |                               |   | =Target not achieved                       |                       |  |                                   |
|           | Project                         | Specific Deliverable (KPI)                               | Baseline  | PAST PERFORMANCE<br>(2016/17)           |               | CURRENT PERFORMANCE<br>(2017/18) |                               | Means of Verification for Annual Target | Snapshot                                   | Deviation Explanation | Corrective Measures  | Responsible Person                |
| 1.1.3     | Elundini Midsize Income Housing | Agreement Property Implementation Agent                  | Anticipated total number for the development of midsize income housing around | New Indicator                           | New Indicator | Property Implementation Agent    | Property Implementation Agent | Property Implementation Agent           | Agreement, appointment letter or SL 624/17 | None                  | None   | Business Analyst/Project Managers |
| 1.1.4     |                                 | Number of individuals considering and evaluating capital |   | New Indicator                           | New Indicator | 1 Report                         | 1 Report                      | 1 Report                                | Tenanted area evaluation Report            | None                  | None   |                                   |

| SUB-PROGRAMME TITLE  |   | INFRASTRUCTURE AND PROPERTY DEVELOPMENT |                                       |  |                  | STRATEGIC GOALS 1                          |  | SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOABI DISTRICT |           |  |   |                                      |
|----------------------|---|---|---------------------------------------|--|------------------|--|--|--|-----------|--|---|--------------------------------------|
| Snap shot Indicators |   | = Target achieved                       |                                       |  |                  | = Target not achieved                      |  | = Target not achieved  |           |  |   |                                      |
| Project              | Specific Deliverable (KPI)                              | Baseline                                | PAST PERFORMANCE<br>Planned (2016/17) |  | Actual (2016/17) | Planned (2017/18)                          | Actual (2017/18)   | Means of Verification for Annual Target  | Snap shot | Deviation Explanation  | Corrective Measures   | Responsible Person                   |
| 1.1.5                | Appoint Property Redevelopment Agent                    |   | New Indicator                         |  | New Indicator    | Property Developer Appointed               | 1. Identify to secure developer and close agreement<br>2. Agree contract secure developer with residential | Actual agreement, agreement copy or SANRAL   |           | The agency has advertised for the development of the E4 103 and the ability experienced was due to discovering that the site belongs to the EDCD not the Local Municipality and provided us with the council resolution which affirms how the agency will deal with the businesses that are currently on a lease with EDCD to advise that facility we desire to develop. | 1. Finalise formal agreement with the EDCD regarding the facility this will be done in Q1 2018/19<br>2. Finalise bid advertisement for the tenders that were submitted in order to appoint a developer and this will be done by Q2 2018/19<br>3. Conduct social facilitation for the businesses that are currently operating in these premises. | Business Analyst<br>Project Managers |
|                      | Number of technical transactions and evaluation reports |   | New Indicator                         |  | New Indicator    | 1 Report                                   | 1 Report   | 1 Technical and evaluation Report  |           | None   | None  |                                      |
| 1.1.6                |   |   |                                       |  |                  |  |  |  |           |  |   |                                      |
| SUB-PROGRAMME TITLE  |   | INFRASTRUCTURE AND PROPERTY DEVELOPMENT |                                       |  |                  | STRATEGIC GOALS 1                          |  | SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOABI DISTRICT |           |  |   |                                      |
| Snap shot Indicators |   | = Target achieved                       |                                       |  |                  | = Target not achieved                      |  | = Target not achieved  |           |  |   |                                      |
| Project              | Specific Deliverable (KPI)                              | Baseline                                | PAST PERFORMANCE<br>Planned (2016/17) |  | Actual (2016/17) | Planned (2017/18)                          | Actual (2017/18)   | Means of Verification for Annual Target  | Snap shot | Deviation Explanation  | Corrective Measures   | Responsible Person                   |
| 1.1.7                | Sign Service Level Agreement with JSCM                  |   | New Indicator                         |  | New Indicator    | Service Level Agreement Signed             | Service Level Agreement Signed   | Signed Agreement   |           | None   | None  |                                      |
|                      | Establish Project Steering Committee                    |   | New Indicator                         |  | New Indicator    | Project Steering Committee was Established | Project Steering Committee was Established   | Minutes, TOR, Agreement  |           | None   | None  | Business Analyst<br>Project Managers |
|                      | Establish Contractor nomination                         |   | New Indicator                         |  | New Indicator    | Expression of Interest                     | Expression of Interest   | Expression of Interest submitted   |           | None   | None  |                                      |
| 1.1.8                |   |   |                                       |  |                  |  |  |  |           |  |   |                                      |
| 1.1.9                |   |   |                                       |  |                  |  |  |  |           |  |   |                                      |










| KPI No.1 | SUB PROGRAMME TITLE                |   | AGRI-PARK AND AGRI-BUSINESS DEVELOPMENT                                   |   |   |   | STRATEGIC GOALS 1   |  | SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOASH DISTRICT |  |   |                              |
|----------|------------------------------------|---|---|---|---|---|---|--|--|--|---|------------------------------|
|          | Stop start indicators              |   | =Target achieved  |   |   |   | = Target not achieved   |  |  |  |   |                              |
|          | Project                            | Specific Indicator (KPI)  | Baseline  | PAST PERFORMANCE  |   | CURRENT PERFORMANCE   |   | Means of Verification for Annual Target  | Stop start   | Development Explanation  | Corrective Measures   | Responsible Person           |
| 1.1.14   | Agri Park and Agribusiness support | Number of signed Partnership agreements with agricultural enterprises development |   | 2 Partnership Agreements for agricultural enterprises development | 0 Partnership Agreements for agricultural enterprises development | 2 Partnership Agreements for agricultural enterprises development | 0 Partnership Agreements for agricultural enterprises development | Service level Agreement/ Memorandum of Understanding   |                     | Signed Partnership Agreements are only happen once the Agri Park has been built. The funds for the construction of the Agri Park were not available from the National Government. These funds are yet to be released from the National Government. Agreements with Agri Enterprises  | Details to get back released from National Government will have to be released. In the future effort to get a resolution on the subject will be accordingly document.   |                              |
| 1.1.15   |                                    |   | Current signed Evaluation   | New Target  | 3 Agri Business Projects to have social evaluation conducted      | 2 Agri Business Projects to have social evaluation conducted      | 3 Agri Business Projects to have social evaluation conducted      | Adherence to the Agri Park also happened to come from National Government. These funds are yet to be released from the National Government. Agreements with Agri Enterprises. Social Evaluation could not be conducted until this issue is resolved. |                     | Signed Partnership Agreements can only happen once the Agri Park has being built. The funds for the construction of the Agri Park were not available to come from National Government. These funds are yet to be released from the National Government. Agreements with Agri Enterprises. Social Evaluation could not be conducted until this issue is resolved. | Details to get back released from National Government will have to be released. In the future effort to get a resolution on the subject will be accordingly document.   | Business Development Manager |
| 1.1.16   |                                    |   | Number of signed or Ongoing partnership agreements for agri-park visitors |   | 2 Signed Partnership Agreements for market visitors               | 2 Signed Partnership Agreements for market visitors               | 0 Signed Partnership Agreements for market visitors               | Agreement/ Memorandum of Understanding   |                     | Signed Strategic Partnership Agreements for Market Visitors are only possible once primary Agricultural produce has been developed, with the aim of producing more than one product. National Government to release funds for the development of the Agri Park.  | The construction of the Agri Park infrastructure is only been. Even though the funds for the infrastructure are not available from the National Government, the funds for the development of the Agri Park are not available from the National Government. The funds for the development of the Agri Park are not available from the National Government. |                              |





| KPI No.) | SUB PROGRAMME TITLE   |  | INDUSTRIAL PARK AND MANUFACTURING  |  | STRATEGIC GOALS 1   |   | SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOABI DISTRICT |                       |                                  |
|----------|-----------------------|--|--|--|---|---|--|-----------------------|----------------------------------|
|          | Stop short indicators |  |  |  |   |   | = Target achieved  |                       |                                  |
|          | Project               | Specific Deliverable (KPI)   | Baseline   | PAST PERFORMANCE<br>Planned (2016/17) Actual (2016/17) | CURRENT PERFORMANCE<br>Planned (2017/18) Actual (2017/18)                     | Means of verification for Annual Target   | Stop short   | Deviation Explanation | Corrective Measures              |
| 1.1.17   |                       | Number of activities to promote and expand the role of Small Medium Enterprises (SMEs) in the industrial park. | Baseline<br>Support level for the development of Small Medium Enterprises (SMEs) in the industrial park. | New Indicator  | 1. Source Expression of interest<br>2. 1 Project Report on ongoing activities | 1. Completion of interest expression of interest of interest<br>2. 1 Project Report on ongoing activities |  | None                  | None                             |
|          |                       | Small Medium Enterprises (SMEs) in the industrial park.  |  |  |   |   |  |                       | Business Analyst/Project Manager |
| KPI No.) | SUB PROGRAMME TITLE   |  | INDUSTRIAL PARK AND MANUFACTURING  |  | STRATEGIC GOALS 1   |   | SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOABI DISTRICT |                       |                                  |
|          | Stop short indicators |  |  |  |   |   | = Target achieved  |                       |                                  |
|          | Project               | Specific Deliverable (KPI)   | Baseline   | PAST PERFORMANCE<br>Planned (2016/17) Actual (2016/17) | CURRENT PERFORMANCE<br>Planned (2017/18) Actual (2017/18)                     | Means of verification for Annual Target   | Stop short   | Deviation Explanation | Corrective Measures              |
| 1.1.18   |                       | Number of Small Medium Enterprises (SMEs) in the industrial park.  | Baseline<br>Support level for the development of Small Medium Enterprises (SMEs) in the industrial park. | New Indicator  | 1. Source Expression of interest<br>2. 1 Project Report on ongoing activities | 1. Completion of interest expression of interest of interest<br>2. 1 Project Report on ongoing activities |  | None                  | None                             |
|          |                       | Small Medium Enterprises (SMEs) in the industrial park.  |  |  |   |   |  |                       | Business Analyst/Project Manager |
| KPI No.) | SUB PROGRAMME TITLE   |  | SME DEVELOPMENT AND INVESTMENT PROMOTION   |  | STRATEGIC GOALS 1   |   | SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOABI DISTRICT |                       |                                  |
|          | Stop short indicators |  |  |  |   |   | = Target achieved  |                       |                                  |
|          | Project               | Specific Deliverable (KPI)   | Baseline   | PAST PERFORMANCE<br>Planned (2016/17) Actual (2016/17) | CURRENT PERFORMANCE<br>Planned (2017/18) Actual (2017/18)                     | Means of verification for Annual Target   | Stop short   | Deviation Explanation | Corrective Measures              |
| 1.1.19   |                       | Number of SMEs trained   | Baseline<br>Support level for the development of Small Medium Enterprises (SMEs) in the industrial park. | New Indicator  | 1. Source Expression of interest<br>2. 1 Project Report on ongoing activities | 1. Completion of interest expression of interest of interest<br>2. 1 Project Report on ongoing activities |  | None                  | None                             |
|          |                       | Small Medium Enterprises (SMEs) in the industrial park.  |  |  |   |   |  |                       | Business Analyst/Project Manager |
| 1.1.20   |                       | Number of entrepreneurial activities during a workshop   | Baseline<br>Support level for the development of Small Medium Enterprises (SMEs) in the industrial park. | New Indicator  | 1. Source Expression of interest<br>2. 1 Project Report on ongoing activities | 1. Completion of interest expression of interest of interest<br>2. 1 Project Report on ongoing activities |  | None                  | None                             |
|          |                       | Small Medium Enterprises (SMEs) in the industrial park.  |  |  |   |   |  |                       | Business Analyst/Project Manager |

| KPI (No.)        | SUB-PROGRAMME TITLE          |  | SME DEVELOPMENT AND INVESTMENT PROMOTION   |  |   |   |   |   | STRATEGIC GOALS 1     |   | SERVE AS PRIMARY AND PRINCIPAL VEHICLE FOR ECONOMIC DEVELOPMENT & INVESTMENT WITHIN JOE GOADI DISTRICT   |                    |  |
|------------------|------------------------------|--|--|--|---|---|---|---|-----------------------|---|--|--------------------|--|
|                  | Project                      | Specific Deliverable (KPI)   | Baseline   | PAST PERFORMANCE   |   | CURRENT PERFORMANCE                                       |   | Means of Verification for Annual Target | Stop short            | Deviation Explanation   | Corrective Measures  | Responsible Person |  |
|                  |                              |  |  | Planned (2016/17)  | Actual (2016/17)  | Planned (2017/18)   | Actual (2017/18)                                    |   |                       |   |  |                    |  |
| 1.1.21           | Almsh North Private Hospital | Sign Development building agreement  | New Indicator  | New Indicator  | New Indicator   | 1 Development building agreement signed                   | 0 Development building agreement signed             | Agreement                               |                       | A new development building agreement is developed but has not yet been signed by the building contractor due to the issue on land being not resolve | 1. The signed building is mandatory and around the area of not in working building by Contractor which has not yet been signed by the building contractor due to the issue on land being not resolve |                    |  |
| 1.1.22           |                              | Develop project Investment Memorandum  |  | New Indicator  | 1 Project Investment Memorandum developed                 | 1 Project Investment Memorandum developed                 | Investment Memorandum report                        |   | None                  | None  |  |                    |  |
| 1.1.23           |                              | Agreed Project Board   |  | New Indicator  | 1 Project board agreed                                    | 1 Project board agreed                                    | Agreement   | Agreement                               |                       | None  | None   |                    |  |
| KPI (No.)        | SUB-PROGRAMME TITLE          |  | INSTITUTIONAL DEVELOPMENT AND ORGANISATIONAL PERFORMANCE                         |  |   |   |   |   | STRATEGIC GOALS 2.1   |   | TO ESTABLISH A WELL - STARTED INSTITUTION THAT SUPPORTS THE AGENCY   |                    |  |
| Reporting Period | Specific Deliverable (KPI)   | Baseline   | PAST PERFORMANCE   |  | CURRENT PERFORMANCE                                       |   | Means of Verification for Annual Target             | Stop short                              | Deviation Explanation | Corrective Measures   | Responsible person   |                    |  |
|                  |                              |  | Planned (2016/17)  | Actual (2016/17)   | Planned (2017/18)   | Actual (2017/18)  |   |   |                       |   |  |                    |  |
| 2.1.1            | Annually                     | Approved Financial Performance Review Report signed by the manager of JOE GOADI    | 1 Approved Organizational structure  | 1 Approved Organizational structure  | 1 Organizational Structure (Review) approved by the board | 1 Organizational Structure (Review) approved by the board | Agreed Organogram                                   |   | None                  | None  |  |                    |  |
| 2.1.2            | Annually                     | Number of employee like position for all funded activities completed by management | 100% of employee like position for all funded activities completed by management | 100% of employee like position for all funded activities completed by management | 7 Job profile were reviewed by management                 | 7 Job profile were reviewed by management                 | Agreement Letter, signed and approved by management |   | None                  | None  | Chief Executive Officer/Finance Manager  |                    |  |
| 2.1.3            | Annually                     | Number of staff funded position in the approved organization                       | 100% of employee like position for all funded activities completed by management | 100% of employee like position for all funded activities completed by management | 7 Funded positions filled in the approved organization    | 7 Funded positions filled in the approved organization    | Agreement Letter, signed and approved by management |   | None                  | None  |  |                    |  |



| KPI No.) | SUB-PROGRAMME TITLE  |  | INSTITUTIONAL DEVELOPMENT AND ORGANISATIONAL PERFORMANCE |   |  |  | STRATEGIC GOALS 7.2   |                       | TO BUILD A CULTURE OF ORGANISATIONAL PERFORMANCE AND EXCELLENCE |  |  |
|----------|----------------------|--|--|---|--|--|---|-----------------------|---|--|--|
|          | Snap shot indicators |  | = Target achieved  |   |  |  | = Target not achieved   |                       |   |  |  |
|          | Reporting Period     | Specific Definition (KPI)  | Baseline   | PAST PERFORMANCE<br>Planned (2016/17), Actual (2016/17) | CURRENT PERFORMANCE<br>Planned (2017/18), Actual (2017/18) | Means of Verification for Annual Target    | Snap shot   | Deviation Explanation | Corrective Measures   | Responsible Person                     |  |
| 2.2.1    | Annually             | Performance management policy reviewed and approved by the Board | Performance Management Policy                            | 1 Performance management system approved by the board   | 1 Performance management policy reviewed                   | 1 Performance management policy reviewed   |  | None                  | None  |  |  |
| 2.2.2    | Annually             | Performance management system reviewed annually                  | Performance Management Policy                            | 100% Performance management system approved             | 1 Performance management system reviewed                   | 1 Performance management system reviewed   |  | None                  | None  |  |  |
| 2.2.3    | Quarterly            | Number of performance management reports submitted               | Performance Management Policy                            | 4 performance management reports submitted              | 4 performance management reports submitted                 | 4 performance management reports submitted |  | None                  | None  | Chief Executive Officer/Deputy Manager |  |
| 2.2.4    | Quarterly            | Number of performance management reports submitted               | 2016/17 performance reports                              | 4 performance management reports submitted              | 4 performance management reports submitted                 | 4 performance management reports submitted |  | None                  | None  |  |  |
| 2.2.5    | Annually             | Report on institutional performance targets achieved annually    | 2016/17 Annual Report                                    | 80% Institutional performance targets achieved          | 1 Annual Institutional Performance report completed        | 2016/17 Annual Report                      |  | None                  | None  |  |  |

| KPI No. | KPI PROGRAMME TITLE |  | COMMUNICATION AND GOVERNANCE                       |  |   |   | STRATEGIC GOALS 3.1   |  | TO ESTABLISH EFFECTIVE GOVERNANCE PROCEDURES AND EFFICIENT MANAGEMENT SYSTEMS |                       |                     |   |
|---------|---------------------|--|--|--|---|---|---|--|---|-----------------------|---------------------|---|
|         | Stop and Indicators |  |  |  |   |   |   |  |   |                       |                     |   |
|         | Reporting Period    | Specific Describable KPI   | Baseline   | PAST PERFORMANCE<br>Planned (2016/17) Actual (2016/17) |   | CURRENT PERFORMANCE<br>Planned (2017/18) Actual (2017/18)               |   | Means of Verification for Annual Target                                | Stop and  | Deviation Explanation | Corrective Measures | Responsible Person                        |
| 3.1.1   | Annually            | Report on Board level third party compliance measures implemented annually   | Board Assessment Report                            | 1 Board assessment report completed                    | 1 Board assessment report completed             | 1 Board assessment report   | 1 Board assessment report   | Board Assessment Report  | 👍   | None                  | None                | None                                      |
| 3.1.2   | Quarterly           | Monitor of third party compliance measures implemented in Board              | Monitor of third party compliance measures 2016/17 | 4 Board reports submitted to the Board                 | 4 Board reports submitted to the Board          | 4 Board reports submitted to the Board                                  | 4 Board reports submitted to the Board                                  | Company Secretary Report, Minutes                                      | 👍   | None                  | None                | Chief Executive Officer/Company Secretary |
| 3.1.3   | Quarterly           | Compliance of ISO26000 based on compliance register                          | Compliance Register                                | 100% compliance with the compliance register           | 100% compliance with the compliance register    | 100% compliance with the compliance register                            | 100% compliance with the compliance register                            | Compliance register or compliance measures report                      | 👍   | None                  | None                | None                                      |
| 3.1.4   | Annually            | Operational policies reviewed annually                                       | Operational Policies                               | 1 Operational Policy reviewed                          | 1 Operational Policy reviewed                   | 1 Operational Policy reviewed   | 1 Operational Policy reviewed   | Policy Documents or plan were reviewed by CEO for review by Management | 👍   | None                  | None                | None                                      |
| 3.1.5   | Annually            | Annual General Meetings held   | Minutes of previous AGM                            | 1 Annual General Meeting                               | 1 Annual General Meeting                        | 1 Annual General Meeting held   | 1 Annual General Meeting held   | Minutes of the Annual General Meeting                                  | 👍   | None                  | None                | Chief Executive Officer/ Finance Manager  |
| 3.1.6   | Annually            | Monitor of risk management register approved by Board and implemented across | 2016/17 Risk Register                              | 1 Risk Management plan approved and implemented        | 1 Risk Management plan approved and implemented | 1 Risk Management register approved and implemented in Quarterly Status | 1 Risk Management register approved and implemented in Quarterly Status | Risk Register  | 👍   | None                  | None                | None                                      |
| 3.1.7   | Annually            | Positive General Unaudited Audit Report                                      | AG Report 2016/17                                  | 1 Unaudited Audit Opinion received                     | 1 Unaudited Audit Opinion received              | Auditor General Report 2016/17 - Unaudited Audit Opinion received       | Auditor General Report 2016/17 - Unaudited Audit Opinion received       | Auditor General Report 2016/17   | 👍   | None                  | None                | None                                      |
| 3.1.8   | Annually            | Report of previous audit findings that have been resolved                    | AG Report  | 100% audit findings resolved                           | 100% audit findings resolved                    | 100% audit findings resolved  | 100% audit findings resolved  | Audit Report Findings  | 👍   | None                  | None                | None                                      |
| 3.1.9   | Annually            | Quarterly Risk Reviews   | New Indicator                                      | New Indicator  | New Indicator                                   | Quarterly Risk Reviews completed  | Quarterly Risk Reviews completed  | Quarterly Risk Reviews Register  | 👍   | None                  | None                | None                                      |

| KPI (No.) | SUB-PROGRAMME TITLE     |   |                                       | FINANCIAL MANAGEMENT  |   |   | STRATEGIC GOALS 3.2   |                       |                     | TO ENSURE FINANCIAL SUSTAINABILITY         |  |  |
|-----------|-------------------------|---|---------------------------------------|---|---|---|---|-----------------------|---------------------|--|--|--|
|           | Budget sheet indicators |   |                                       | =Target achieved  |   |   | Target not achieved   |                       |                     |  |  |  |
|           | Reporting Period        | Specific Deliverables (KPI)   | Baseline                              | PAST PERFORMANCE<br>Planned (2016/17) Actual (2016/17)                      | CURRENT PERFORMANCE<br>Planned (2017/18) Actual (2017/18)                   | Means of Verification for Annual Target                                     | Stop shot   | Deviation Explanation | Corrective Measures | Responsible Person                         |  |  |
| 3.2.1     | Annually                | Review of annual budget expenditure and submission to JGEM                | 2016/17 Financial Budget              | 1 Annual budget approved  | 1 Annual budget approved  | 1 Annual budget approved  |  | None                  | None                |  |  |  |
| 3.2.2     | Quarterly               | Monitor of quarterly budget expenditure compliance and submission to JGEM | Monthly budget statements for 2016/17 | 12 Monthly budget statements submitted to JGEM and Chairperson of the Board | 12 Monthly budget statements submitted to JGEM and Chairperson of the Board | 12 Monthly budget statements submitted to JGEM and Chairperson of the Board |  | None                  | None                |  |  |  |
| 3.2.3     | Quarterly               | Monitor of Financial Statements prepared and submitted quarterly          | 2016/17 Financial statements          | 4 Financial Statements prepared and submitted                               | 4 Quarterly Financial Statements prepared and submitted                     | 4 Quarterly Financial Statements prepared and submitted                     |  | None                  | None                | Chief Executive Officer / Township Manager |  |  |
| 3.2.4     | Annually                | Review of additional funding (audit once monthly)                         | R723 346,00                           | 20% additional funding raised   | R 2 000 000,00  | 2 000 000,00  |  | None                  | None                |  |  |  |

## CHAPTER 4 – ORGANISATIONAL DEVELOPMENT PERFORMANCE

### 4.1 Staffing Information

The table below provides an overview of staffing levels in the municipality, including total staff, approved positions and funded vacancies. In this municipality, 97% of staff are permanent employees. There is a vacancy rate of 22%.

Table 4: Staffing levels

|  | DC14 |
|--|------|
| Total municipal staff currently employed | 956  |
| Total permanent currently employed       | 931  |
| Total temporary staff currently employed | 25   |
| Total approved positions                 | 1225 |
| Total funded vacancies                   | 1217 |
| Percentage of funded vacancies           | 99%  |

The qualifications of staff (from technical to postgraduate) are detailed below. The table shows that 11,99% of staff have some form of tertiary qualification.

Table 5: General qualifications

|   | DC14 |
|---|------|
| Number of staff with postgraduate degrees         | 12   |
| Percentage of staff with postgraduate degrees     | 1,26 |
| Number of staff with Bachelor's degrees           | 38   |
| Percentage of staff with Bachelor's degrees       | 3.97 |
| Number of staff with technical qualifications     | 59   |
| Percentage of staff with technical qualifications | 6.17 |

In 2007, National Treasury introduced minimum competencies for municipal officials responsible for financial and supply chain management. This was done in order to modernise and professionalise financial management in municipalities, in keeping with the principles of accountability, transparency, effective and efficient utilisation of public resources.

The regulations cover the following aspects for the relevant financial and supply chain management positions: minimum higher education qualifications; work related experience, core managerial and occupational competencies and the financial and financial and supply chain management competencies that the relevant municipal officials should have to enable them to discharge their responsibilities under the MFMA and the related reforms.

A structured training programme was introduced in support of the minimum competency requirements for existing and new incumbents in the municipal sector. A graduate internship programme was also introduced and additional financial resources were made available to municipalities in the form of Financial Management Grant over the medium term. This was augmented by additional funding from the donor community, LGSETA and municipal own resources. The table below indicates the number of people in the municipality that have completed MFMA competency courses.



Table 6: MFMA competency

|   | DC14 |
|---|------|
| Number of municipal officials that have completed the MFMA Competency 1: Budgeting                        | 41   |
| Number of municipal officials that have completed the MFMA Competency 2: Costing                          | 41   |
| Number of municipal officials that have completed the MFMA Competency 3: Income expenditure               | 41   |
| Number of municipal officials that have completed the MFMA Competency 4: Ethics                           | 41   |
| Number of municipal officials that have completed the MFMA Competency 5: IG Fiscal relations              | 41   |
| Number of municipal officials that have completed the MFMA Competency 6: Auditing planning implementation | 41   |
| Number of municipal officials that have completed the MFMA Competency 7: Performance management           | 41   |
| Number of municipal officials that have completed the MFMA Competency 8: Internal control                 | 41   |
| Number of municipal officials that have completed the MFMA Competency 9: Risk management                  | 41   |
| Number of municipal officials that have completed the MFMA Competency 10: ICT and finance                 | 41   |

Some of the relevant numbers and figures as far as organisational development function of the District are summed up below.

|   | 2017/18     | 2016/17     | 2015/16     |
|---|-------------|-------------|-------------|
| <b>Employment</b>                           |             |             |             |
| Employee Costs (R'000)                      | 210 133 486 | 186 85 9168 | 163 740 000 |
| Remuneration of councillors (R'000)         | 5 953 332   | 5 201 912   | 5 310 000   |
| Total Employee Positions                    | 901         | 901         | 813         |
| Total Vacant Employee Positions             | 269         | 324         | 177         |
| Managerial Positions - S57                  | 7           | 6           | 6           |
| Vacant Managerial Positions - S57           | 0           | 0           | 0           |
| Managerial Positions - by organogram        | 19          | 19          | 19          |
| Vacant Managerial Positions - by organogram | 1           | 1           | 4           |

#### 4.2 Management overview

The table below provides an overview of senior management in the municipality, including total number of Section 56 positions, as well as the percentage of vacancies in 2016/17 and 2017/18. In this municipality, 33% of Section 56 positions were vacant in 2016/17, while 0% were vacant in 2017/18.

Table 7: Senior management

|   | DC14 |
|---|------|
| Total Section 56 positions in the municipality                                  | 3    |
| Percentage of Section 56 positions vacant for more than three months in 2016/17 | 33%  |
| Percentage of Section 56 positions vacant for more than three months in 2017/18 | 0%   |

The following table provides information on the number of qualified engineers, planners, accountants and environmental officers.

Table 8: Qualifications of professionals

|   | DC14 |
|---|------|
| Qualified engineers and engineering technologists | 5    |
| Qualified planners and planning technicians       | 3    |
| Qualified accountants                             | 11   |
| Environmental officers                            | 20   |

#### 4.3 Departmental assessment

Total budget and staffing information for the three groups of functions (Development and town planning services; Technical services; Community services) are provided in the table below. This is followed by a detailed assessment by function in the following section.

An analysis of data for each department finds the following:

- Development and Planning
  - 82% increase in operating budget between 2016/17 and 2017/18
  - 0% increase in capital budget between 2016/17 and 2017/18
  - A vacancy rate of 20%
- Technical services
  - 23% increase in operating budget between 2016/17 and 2017/18
  - 19% decrease in capital budget between 2016/17 and 2017/18
  - A vacancy rate of 23%
- Community services
  - 6% increase in operating budget between 2016/17 and 2017/18
  - 0% increase in capital budget between 2016/17 and 2017/18
  - A vacancy rate of 8%

## CHAPTER 5 – FINANCIAL PERFORMANCE

### 5.1 Financial information

The District Municipality is cognisant of the financial environment in the country and abroad on issues such as Eskom Tariff increases, the volatile Rand, sluggish economic growth, high rates of unemployment and uncertainty of fuel prices. The municipality has reviewed its financial policies and the reviewed policies were approved by the rules and ethics committees during February 2018. A final approval was made by Council in May 2018. A tariff restructuring for water and sanitation function has been implemented since 2007 so that income matches expenditure and to ensure there is funding for replacement costs and maintenance. The District is also investigating the possibility of recovering some service costs for Municipal Health Services (MHS) through the implementation of fines and certificate of acceptability.

Billing is based on accurate data which status changes from time to time. Initiatives such as annual review of indigent registers and customer data are in place to ensure continued accuracy and consistency of billing data. The effectiveness of the billing systems have been assessed with the review of the revenue enhancement strategy (RES) and the WSDP review and the system is effective and efficient. The municipality has embarked on a project of installing pre-paid water meters in order to improve revenue collection.

High staff turnover is a challenge that leads to capacity gaps. Training of staff on effective usage of the financial system and other financial year has been prioritised. A new financial system, SEBATA, was sourced as an integrated system for the District. There has been significant reduction in wasteful and fruitless expenditure which enhances the revenue of the institution. To limit payment of interest charged by creditors for late payment of accounts, the District has strict controls on overdue accounts. To further improve revenue management bulk and individual meters are prioritised for implementation in all towns and later in all served areas. This measure will be implemented in the shortest time possible. The focus shifted from the implementation of Pre-paid water meters within the Aliwal North Town area during 2016/2017 to the whole District, on a request basis at no charge to the consumers, which will improve on the collection of monies due.

The Municipality's depreciable asset base increases significantly on an annual basis as result of the significant capital investments in infrastructure within the District in the last ten years. The increase in the depreciable asset base increased the annual depreciation beyond normal tariff increases.

In terms of national policy, municipalities should provide Free Basic Services to their communities. The table below indicates whether free basic water and electricity is provided, the quantity thereof, and the number of households benefitting from this policy. In this municipality, free basic services for water costs roughly 4% of the total operating expenditure. This benefits 16,82% of households in the municipality.

Table 9: Free basic services

|  | DC14       |
|--|------------|
| Free Basic Services policy (water)                     | Yes        |
| Quantity of free basic water                           | 6 kl       |
| Cost to municipality for free basic water              | 22,433,818 |
| Number of households benefitting from free basic water | 16304      |
| Free Basic Services policy (electricity)               | N/A        |
| Quantity of free basic electricity                     | N/A        |

|  |     |
|--|-----|
| Cost to municipality for free basic electricity(Kwh)         | N/A |
| Number of households benefitting from free basic electricity | N/A |

The table below depicts other important financial indicators for the municipality.

|   |                      |                                       |                     |
|---|----------------------|---------------------------------------|---------------------|
| All values: R'000                         | 2017/18              | 2016/17                               | 2015/16             |
| AUDIT OUTCOME                             | Clean                | Financially unqualified with findings | Clean audit outcome |
| FINANCIAL PERFORMANCE                     |                      |                                       |                     |
| Revenue                                   |                      |                                       |                     |
| Service charges                           | 77 137 650           | 91 671 035                            | 102 810 763         |
| Investment revenue                        | 26 745 244           | 27 401 827                            | 4 385 210           |
| Government grants and subsidies - capital | 132 635 748          | 250 801 995                           | 203 356 888         |
| Transfers recognised operational          | 404 607 810          | 315 173 467                           | 326 436 927         |
| Other own revenue                         | 14 270 825           | 1 023 737                             | 1 283 144           |
| <b>Total Revenue</b>                      | <b>655 397 277</b>   | <b>700 255 006</b>                    | <b>655 270 689</b>  |
| Expenditure                               |                      |                                       |                     |
| Employee costs                            | 210 133 486          | 190 580 905                           | 167 090 606         |
| Remuneration of councillors               | 5 953 332            | 5 201 912                             | 5 309 512           |
| Depreciation and Amortization             | 49 158 583           | 48 698 284                            | 46 362 765          |
| Finance charges                           | 5 645 688            | 5 916 126                             | 5 735 402           |
| Bulk purchases                            | 4 458 788            | 4 163 900                             | 988 976             |
| Grants and subsidies paid                 | 8 495 130            | 7 879 344                             | 1 192 980           |
| Repairs and maintenance                   | 6 975 583            | 12 012 116                            | 6 315 416           |
| Contracted services                       | 14 872 932           | 14 441 985                            | 15 138 059          |
| <b>Total Expenditure</b>                  | <b>305 693 522</b>   | <b>480 095 516</b>                    | <b>468 227 157</b>  |
| Total current assets                      | <b>192 808 699</b>   | 5 684 207                             | 8 532 307           |
| Total noncurrent assets                   | <b>1 687 526 349</b> | 1 678 558 968                         | 1 500 403 879       |
| Total current liabilities                 | <b>144 928 084</b>   | 30 808 730                            | 25 482 835          |

## CHAPTER 6 – AUDITOR GENERAL AUDIT FINDINGS

### 6.1 COMPONENT A: AUDITOR-GENERAL OPINION 2017/18 FINANCIAL YEAR

# Joe Gqabi District Municipality Audit Report

For the year ended 30 June 2018



## Report of the auditor-general to Eastern Cape Provincial Legislature and the council on Joe Gqabi District Municipality

### Report on the audit of the consolidated and separate financial statements

#### Opinion

1. I have audited the consolidated and separate financial statements of the Joe Gqabi District Municipality and its subsidiary (the group) set out on pages x to x, which comprise the consolidated and separate statement of financial position as at 30 June 2018, the statement of financial performance, statement of changes in net assets, and cash flow statement and statement of comparison of budget information with actual information for the year then ended, as well as the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2018, and their financial performance and cash flows for the year then ended in accordance with South African Standards of General Accounting Practise (SA Standards of GRAP) and the requirements of the Municipal Financial Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2016 (Act No. 3 of 2017) (Dora).

#### Context for the opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the consolidated and separate financial statements section of this auditor's report.
4. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Emphasis of matter

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Restatement of corresponding figures

7. As disclosed in note 40 to the consolidated financial statements, the corresponding figures for the previous balance sheet were restated as a result of an error in the financial statement of the municipality at, and for the year ended 30 June 2018.

### Material losses

8. As disclosed in note 46 to the consolidated financial statements, material losses of R45 million was incurred due to aging infrastructure.

### Impairment – Receivables from Exchange Transactions

9. As disclosed in note 4 to the consolidated financial statements, material losses of R186.9 million (2017: R142.8 million) was incurred as a result of significant impairment of debtors due to poor collection practises.

### Property, plant and equipment – Work-in-progress

10. As disclosed in note 7 to the consolidated financial statements, the municipality has disclosed capital infrastructure projects that are delayed with explanations for the delays.

### Responsibilities of Accounting Officer for the financial statements

11. The accounting officer is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the SA Standards of GRAP and the requirements of the MFMA and Dora, and for such internal control as the accounting officer determines is necessary to enable the **preparation** of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
12. In preparing the **consolidated** and separate financial statements, the accounting officer is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going **concern** basis of accounting unless the appropriate governance structure either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of the financial statements

13. My objectives are to obtain reasonable assurance about whether **the** consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an **auditor's** report that includes my opinion. **Reasonable** assurance is a high level of assurance, but is not a guarantee that an **audit** conducted in **accordance** with the ISAs will always detect a material misstatement when it exists. **Misstatements** can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of **these** financial statements.
14. A further **description** of my **responsibilities** for the audit of the consolidated and separate financial **statements** is included in the annexure to this auditor's report.

## Report on the audit of the annual performance report

### Introduction and scope

15. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
16. My procedures address the reported performance information, which must be based on the approved performance planning documents of the Joe Gqabi District Municipality (municipality). I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
17. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2018:

| Development priorities                               | Pages in the annual performance report |
|--|--|
| KPA 1: service delivery and infrastructure provision | x – x                                  |
| KPA 2: local economic development                    | x – x                                  |

18. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
19. I did not raise any material findings on the usefulness and reliability of the reported performance information for these development priorities.

### Other matters

20. I draw attention to the matter below.

#### Adjustment of material misstatements

21. I identified material misstatements in the annual performance report submitted for auditing. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## Report on the audit of compliance with legislation

### Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
23. I did not raise material findings on compliance with the specific matters in key legislation set out in the general notice issued in terms of the PAA.

### Other information

24. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and those selected development priorities presented in the annual performance report that have been specifically reported in this auditor's report.
25. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other **information** and I do not express an audit opinion or any form of assurance conclusion thereon.
26. In connection with my audit, my responsibility is to read the other **information** and, in doing so, consider whether the other information is **materially** inconsistent with the financial **statements** and the selected development priorities presented in the annual performance report, or my knowledge obtained in the audit, or **otherwise appears** to be materially **misstated**.
27. I **did** not receive the other information prior to the **date** of **this** auditor's report. When I do receive and read this information, if I conclude **that** there is a material **misstatement** therein, I am required to communicate the matter to those charged **with** governance and request that the other information be corrected. If the other information is not corrected, I may have to retract the auditor's report and re-issue an **amended** report as appropriate. However, if it is corrected this will not be necessary.

#### Internal control deficiencies

28. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the opinion, the findings on the annual performance report.
29. Management has not adequately reviewed the annual performance report as a result there were misstatements identified in the annual performance report.
30. The annual performance report submitted for audit were not supported by supporting information and was found not to be reliable. IT governance has weakened leading to municipality not implementing mSCOA on treasury deadline.

East London

*Auditor-General*

13 December 2018



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



## Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priorities and on the municipality's compliance with respect to the selected subject matters.

### Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor's report, I also:
  - identify and assess the risks of material misstatement of the consolidated and separate financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
  - evaluate the appropriateness of **accounting** policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
  - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the **consolidated** and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Joe Gqabi District Municipality ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate **financial** statements about the **material** uncertainty or, if such disclosures are inadequate, to modify the opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
  - evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the **underlying transactions** and events in a manner that achieves fair presentation

### Communication with those charged with governance

3. I communicate with the accounting officer **regarding**, among other matters, the planned scope and timing of the audit and **significant** audit findings, **including** any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the **accounting** officer that I have complied with relevant ethical requirements regarding independence, and communicate **all relationships** and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

## COMPONENT B: ADDRESSING AUDITOR-GENERAL OPINION 2016/17 FINANCIAL YEAR

### 6.2 Audit Action Plan 2016/17 FINANCIAL YEAR

| Auditor-General Report on Financial Statements 2016/17 FY              |   |
|--|---|
| Status of audit report:  | <b>Financially unqualified with findings</b>  |
| Non-Compliance Issues  | Remedial Action Taken   |
| Corrections of a material nature were made to the financial statements | Ensure that there is sufficient oversight over the preparation of the AFS including filling the post of Chief Financial Officer and allowing sufficient time for all oversight committees to review and give comment prior to submission<br>Ensure that there is supporting information for all items in the financial statements |
| T 6.2.1  |   |

| Auditor-General Report on Service Delivery Performance: 2016/17 FY |  |
|--|--|
| Status of audit report   | <b>Unqualified with findings</b>   |
| Non-Compliance Issues  | Remedial Action Taken  |
| Corrections were made to the Annual Performance Report             | Ensure that there is sufficient, reliable and complete information to support each indicator and that this evidence has been interrogated and reviewed prior to submission for audit |
| T 6.2.2  |  |

### 6.3 Audit Action Plan 2017/18 FINANCIAL YEAR

| Auditor-General Report on Financial Statements 2017/18 FY                              |   |
|--|---|
| Status of audit report:  | <b>Clean</b>  |
| Non-Compliance Issues  | Remedial Action Taken   |
| Other information not received by the AG prior to finalisation of the auditor's report | Systems will be strengthened to ensure timeous availability of information. |
| T 6.2.1  |   |

| Auditor-General Report on Service Delivery Performance: 2017/18 FY |  |
|--|--|
| Status of audit report   | <b>Clean</b>   |
| Non-Compliance Issues  | Remedial Action Taken  |
| Misstatements in the annual performance report                     | Strengthen review of portfolio of evidence to support reported achievements throughout the year. |
| Non-implementation of mSCOA  | The municipality has reviewed its targets and action   |

and weakened IT governance

plan from mSCOA implementation. Implementation is underway.

T 6.2.2

COMMENTS ON MFMA SECTION 71 RESPONSIBILITIES:

Section 71 of the MFMA requires municipalities to return a series of financial performance data to the National Treasury at specified intervals throughout the year. The Chief Financial Officer states that these data sets have been returned according to the reporting requirements.

Signed (Chief Financial Officer)..... Dated.....

## APPENDIX A: COMMITTEE AND COMMITTEE PURPOSE

| <b>Committees (other than Mayoral / Executive Committee) and Purposes of Committees</b> |  |
|---|--|
| <b>Municipal Committees</b>   | <b>Purpose of Committee</b>  |
| Top Management  | To discuss Administrative matters concerning each Directorate, to provide expert inputs in preparation of every meeting within the power of the Institution and to serve as a network for experience sharing.  |
| Audit Committee   | To provide independent, objective assurance and consulting services designed to add value and improve the District Municipality's operations. It helps the District Municipality accomplish its objectives by bringing a systematic, discipline approach to evaluate and improve the effectiveness of risk management, governance and control processes. |
| Council Meeting   | To develop mechanism to consult the community and community organisations in performing its functions and exercising its powers as per the legislation.  |
| Mayoral Committee   | To discuss and report to the Municipal Council on all decisions taken by the committee as per the delegation assigned to the Mayoral Committee.  |
| DIMAFO  | To facilitate effective co-operation between municipalities in the Joe Gqabi District. Its main aim is to enhance integrated development and to consider priorities in the whole district. It is also aimed at affecting the constitutional imperatives relating to co-operative governance as enshrined in Chapter 3 of the Constitution.               |
| MPAC  | To consider and evaluate the content of the annual report and to make recommendations to Council when adopting an oversight report in the annual report. To perform any other functions assigned to it through a resolution of Council within its area of responsibility, excluding policy formulation or prioritization matters.                        |
| Broad Management  | To discuss administrative matters concerning each Section.   |
| Corporate Services Standing Committee   | To advise the Mayoral Committee on matters related to Corporate Services   |
| Community Services Standing Committee   | To advise the Mayoral Committee on matters related to Community Services   |
| Technical Services Standing Committee   | To advise the Mayoral Committee on matters related to Technical Services   |
| Financial Services Standing Committee   | To advise the Mayoral Committee on matters related to Financial Services   |
| Strategic & Governance Committee  | To advise Council on matters related to Strategic and Governance   |
| Rules & Ethics  | To advise Council on matters related to Rules and Ethics   |
| Remuneration Committee  | To advise Council on matters related to Remuneration   |
| T<br>B  |  |

## APPENDIX B: THIRD TIER ADMINISTRATIVE STRUCTURE

| Third Tier Structure             |  |
|----------------------------------|--|
| Directorate                      | Director/Manager (State title and name)            |
| Office of the Municipal Manager  | Manager IGR and Communications: Mr G Gceya         |
|                                  | Manager Mainstreaming: Mr MP Dyantyi               |
|                                  | Manager Internal Audit: Ms A Mahamba               |
|                                  | Manager IDP and PMS: Mr T Phintshane               |
| Community Services               | Manager Environmental Health Services: Mr M Saule  |
|                                  | Manager Water Services Authority: Mr S Pongoma     |
|                                  | Manager Disaster Rescue and Fire Services: Mr Moko |
| Manager Water Services Provision | Manager WSP: Mr D Lusawana                         |
| Technical Services               | Manager Roads: Mr L Labuschagnie                   |
| Corporate services               | Manager Council Support: M L Matyesini             |
|                                  | Manager HR: Mr S Botha                             |
|                                  | Manager Skills Development: Ms N Nelani            |
|                                  | Manager Legal Services: Ms N Libazi                |
|                                  | Manager IT: Mr L Gush                              |
| Finance                          | Manager Budget and Treasury: Mr C Samuels          |
|                                  | Manager Expenditure: Ms T Nqgongqwana              |
|                                  | Manager Supply Chain Management: Ms M Mlotywa      |
|                                  | Technical Expert: Ms S du Toit                     |

T C




## APPENDIX C – FUNCTIONS OF MUNICIPALITY / ENTITY


|  | Authority for function      | Provided by                 | Performance management system in place | By laws in place | Where is service rendered | Equipment and infrastructure available for function |
|--|-----------------------------|-----------------------------|--|------------------|---------------------------|---|
| Air pollution                                  | District                    | DEDEAT                      | N/A                                    | No               | Entire area               | N/A   |
| Building regulations                           | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Local tourism                                  | Shared (District and local) | Shared (District and local) | Yes                                    | No               | Entire Area               | N/A   |
| Municipal Airports                             | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Municipal Planning                             | District                    | District                    | Yes                                    | No               | Entire Area               | Yes   |
| Pontoons, ferries, jetties, piers, harbours    | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Trading regulations                            | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Beaches and Amusement Facilities               | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Billboards and Public Advertisements           | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Control of public nuisances                    | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Control of public liquor trading               | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Facilities for care, burial of animals, pounds | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Fencing and fences                             | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Licensing of dogs                              | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |
| Licensing of public food                       | N/A                         | N/A                         | N/A                                    | N/A              | N/A                       | N/A   |

|                                     |          |          |     |     |             |     |
|-------------------------------------|----------|----------|-----|-----|-------------|-----|
| trading                             |          |          |     |     |             |     |
| Municipal abattoirs                 | N/A      | N/A      | N/A | N/A | N/A         | N/A |
| Noise pollution                     | N/A      | N/A      | N/A | N/A | N/A         | N/A |
| Pounds                              | N/A      | N/A      | N/A | N/A | N/A         | N/A |
| Street trading                      | N/A      | N/A      | N/A | N/A | N/A         | N/A |
| Environment and Nature Conservation | N/A      | N/A      | N/A | N/A | N/A         | N/A |
| Vehicle licensing                   | N/A      | N/A      | N/A | N/A | N/A         | N/A |
| Economic Development                | District | District | Yes | No  | Entire Area | No  |

# APPENDIX D: DETAILED PERFORMANCE OF CAPITAL PROJECTS

| (A)<br>Project Name                                       | (B)<br>Description  | (C)<br>Budgets<br>(‘000)                          | (D)<br>Funding<br>Source | (E)<br>Location<br>(Ward/ Local<br>Municipality) | (F)<br>Start Date<br>End Date | (G)<br>Progress on<br>Expenditure ()                              | (H)<br>Progress: Design &<br>Tender, Contractor<br>appointed, Construction<br><=25%,<br><=50%, <=75%, <=99%,<br>completed, retention) | Snapshot   | Progress<br>2017/18   |
|---|---|---|--------------------------|--|-------------------------------|---|---|--|---|
| Maclear<br>Treatment<br>Distribution<br>Upgrade (Phase 1) | The project constitute the<br>Following activities for<br>financial year:<br>(1) The construction<br>pipeline linking<br>reservoirs,<br>(2) Installation of fittings<br>the link pipeline | Total Budget<br>R95 995 638<br><br>2017/18<br>R 0 | MIG                      | Elundini LM                                      | 29/10/2015<br>29/03/2019      | Total Exp. Prev.<br>FYs =<br>R17 207 351.31<br><br>2017/18<br>R 0 | Progress: Construction<br><=75%, (On hold until<br>the appointment of a<br>new service provider)                                      | <p>  </p> | <p> <b>Phase 1</b><br/> The Consultant which was<br/> appointed on turnkey<br/> basis failed to perform,<br/> and was subsequently<br/> terminated. The plan was<br/> to increase the scope of<br/> the consultant that is<br/> appointed for Phase 2 of<br/> the project through<br/> securing a Council<br/> endorsement. However<br/> the item could not be<br/> submitted to Council in<br/> 2017/18 and now is<br/> planned to be secured as<br/> early as possible in<br/> 2018/19 FY<br/> There was no budget that<br/> was allocated for this<br/> phase in 2017/18 FY </p> |

|   |                       |   |  |     |             |                          |                                   |                                      |   |                    |
|---|-----------------------|---|--|-----|-------------|--------------------------|-----------------------------------|--------------------------------------|---|--------------------|
| Maclear Treatment Distribution (Phase 2)  | Water Supply Upgrades | The project constitute the following activities for the financial year:<br>1) Completion of designs and tender document for procurement of construction services  | 2017/18 Adjusted Budget R 12 655 000<br>R 4 000 000                | MIG | Elundini LM | 11/03/2016<br>30/05/2021 | Total 2017/18 FY<br>R2 947 974,65 | Phase 2: Progress: Design & Tender   | Phase 2: The Professional Service Provider (PSP) has completed the designs for the project, and the project is now ready for procurement of a Construction Service Provider (CSP).<br>There was a slight change on the approved scope of work, which required a presentation to the funder (CoGTA), before the process of appointing a CSP can commence. The date for presentation has been secured early in 2018/19 FY (first quarter)<br><br>The budget was adjusted in January 2018 from R 12 655 000.00 to R 4 000 000.00 after analysis of expenditure trends, and delays in amendment of the project. |                    |
| Mt Fletcher Bulk Water Supply Scheme Phase 2 (Upper and Lower Tokwana Villages Project) |                       | The project constitute the following:<br>(1) Construction of 13,6km of primary gravity pipelines<br>(2) Construction of 15,8 km of village reticulation lines<br>(3) And construction two reservoirs in Upper & Lower Tokwana | Total Budget: 2017/18 R2 000 000.00<br>Adjusted Budget R 9 000 000 | MIG | Elundini LM | 26/01/11<br>Complete     | 2017/1/ Expenditure R 0           | Progress: 100% complete, (retention) |   | Retention payment. |

|   |  |  |     |             |                                  |  |  |   |  |
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| Mt Fletcher Bulk Water Supply Scheme Phase 2 (Upper and Lower Tsolobeng and Mpharane Project) | <p>The project entails the provision of water to Tsolobeng and Mpharane villages in Elundini. The project was divided to 9 contracts which were awarded to 9 Learner Contractors who had debts coming from the Vuk'uphile programme so the plan was for the debts to be settled out of these projects.</p> | <p>2017/18<br/>R2 000 000.00<br/>Adjusted Budget<br/>R 9 000 000</p> | MIG | Elundini LM | <p>16/09/2013<br/>30/06/2018</p> | <p>2017/18<br/>Exp. =<br/>R 2 845 514.14</p> | <p>Progress:<br/><b>Construction&lt;=99%</b></p> |  | <p>8 Vuk' uphile Learner Contractor have attained Completion on the project and only 1 was left with snag to be completed. Reservoir in Mpharane was found to be leaking. The contractor attended to the leak and it was lined as well as water tightness was done and it passed. However in January 2018, it was discovered that there was still dampness on the walls, and more time had to be given to monitor dampness to ascertain the cause. It was later discover that in fact the walls were not leaking but the reservoir was filled beyond the internal wall lining which exposed the walls to water and hence dampness that was still there. By the end of June 2018 the PSP was still monitoring the wall before final completion can be signed off.</p> <p>The budget that could not be spent on this project was moved to the back-up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure) in order to be able to finish the grant allocation.</p> |
|---|--|--|-----|-------------|----------------------------------|--|--|---|--|



|   |  |   |     |             |                          |                                |                                      |   |
|---|--|---|-----|-------------|--------------------------|--------------------------------|--------------------------------------|---|
| <b>Error! Reference source not found. : Phase 3B:</b> | The project for 2017/18 financial year entail the following:<br>(1) Completion of project designs and tender documentation | 2017/18<br>Adjusted Budget<br>R 8 000 000 | MIG | Elundini LM | 11/03/2015<br>30/06/2021 | 2017/18<br>Exp.<br>R624 179,14 | Progress: <b>Design &amp; Tender</b> | <p>The PSP has completed the designs and development of tender document. The Tender document has since been submitted to JGDM for approval which is expected towards the end of August 2018. Construction is planned to commence in December 2018. This project has been submitted to DBSA as part of frontloading.</p> <p>This project has two phases which are allocated budget under one project, which is just below, the overall project has over spent on its adjusted allocation</p> |
|---|--|---|-----|-------------|--------------------------|--------------------------------|--------------------------------------|---|



|   |  |  |     |             |                          |                                    |                                       |  |
|---|--|--|-----|-------------|--------------------------|------------------------------------|---------------------------------------|--|
| <b>Error! Reference source not found. (Phase 3)</b> | The project entails the following:<br>(1) Upgrading of WWTW from 0.7 to 1.4 Ml/day<br>(2) Pump station and rising main | 2017/18<br>R17 000 000<br>Adjusted Budget<br>R 8 000 000 | MIG | Elundini LM | 11/05/2015<br>30/10/2018 | 2017/18<br>Exp. =<br>R8 581 195.64 | Progress: <b>Construction</b><br>≤70% | Up until end 2016/17 the following was achieved<br>1) Activated Sludge Reactor<br>2) Chlorine contact tank<br>3) Gravity pipeline from Fourie Str. to Pump Station (PS)<br>4) Gravity pipeline from KFC to PS<br>5) Sludge Drying beds<br>6) Pumping main from PS to manhole (MH) 23<br><br>During 2017/18 the following was achieved:<br>Main Contractor struggled with cash flow problems and ended ceding the entire outstanding work to its M&E sub-contractor. The following have been completed by the sub-contractor:<br>1) Clarifier 99% complete, awaiting testing<br>2) PS 40% complete – had to breakdown a portion that was casted incorrect by the main contractor<br>The project is planned to be completed by October 2018.<br>The Budget of R 17 000 000.00 was adjusted during the Budget Adjustment period in January 2018 to R 8 000 000.00 after analysis of expenditure trend mid-term. |
|---|--|--|-----|-------------|--------------------------|------------------------------------|---------------------------------------|--|



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|---|---|---|-----|-------------|------------------|--|--------------------------------------|--|
| <b>Error! Reference source not found. : Phase 4</b> | The project for 2017/18 is still under design development for:<br>(1) Sewer Reticulation of the entire Maclear town   | TBA   | MIG | Elundini LM | TBA              | Total Exp. Prev. FYs = 0<br>2017/18 Exp. = 0 | <b>Progress: Design &amp; Tender</b> |  |
| Ugie Bulk Water Infrastructure<br><b>Phase 3B</b>   | This is Phase B of the project which still at design and tender documentation for following activities:<br>(1) Upgrading of the water treatment facility<br>(2) Construction of Phase 2 of the bulk supply lines for Ugie<br>(3) Provision of a water reticulation system for Ugie town<br>(4) Construction of the Ugie Dam<br>(5) And Construction of a 15 MI reservoir for Ugie and Maclear | 2017/18<br>R13 000 000<br>Adjusted Budget:<br>R 5 000 000 | MIG | Elundini LM | July 2015<br>TBA | 2017/18<br>Exp. = R0                         | <b>Progress: Design and Tender</b>   |  |

|   |       |   |                         |             |             |     |                                    |                           |  |
|---|-------|---|-------------------------|-------------|-------------|-----|------------------------------------|---------------------------|--|
| Elundini Water Programme (Orfo Project) | Rural | The project entails the provision of water to 107 villages in Elundini without any formal water supply. | 2017/18<br>R 10 000 000 | MIG<br>ORIO | Elundini LM | TBA | 2017/18<br>Exp. =<br>R3 749 416.01 | Progress: Design & Tender | Update on progress 2017/18<br>A lead PSP has been appointed and a start up meeting was held. The PSP presented the designs in January 2018. In March 2018, a meeting with ORIO (Counter funder) was held for the presentation of the overall progress and their requirements for further procurements. The PSP is still busy with designs, while JGDM just received an approval from ORIO on the tender document for procurement of Sub-consultants which will now proceed in 2018/19 FY. The budget that could not be spent on this project was moved to the back-up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure) in order to be able to finish the grant allocation. |
|---|-------|---|-------------------------|-------------|-------------|-----|------------------------------------|---------------------------|--|

|   |   |   |     |          |         |  |  |   |
|---|---|---|-----|----------|---------|--|--|---|
| <p>Sterkspruit:<br/>Upgrading of WTW<br/>and Bulk Lines<br/><b>200mmØ Hershel<br/>Pipeline (Under<br/>construction)</b></p> | <p>The project was to be implemented in three phase as follows:</p> <ol style="list-style-type: none"> <li>Ph1: 5MI Baling Reservoir (Complete)</li> <li>Ph2: Flocculation chamber(Complete)</li> <li>Ph3: WTW Upgrade</li> <li>Ph4: 2.1km x 160mmØ Vuyizana pipeline (Complete)</li> <li>Ph5: <b>200mmØ Hershel Pipeline (Under construction)</b></li> </ol> | <p>2017/18<br/>Adjusted Budget:<br/>R 7 500 000</p> | MIG | Senqu LM | 10/2009 | <p>2017/18<br/>Exp. =<br/>R 7 854 494.55</p> | <p>Progress: <b>Construction</b><br/><b>&lt;=50%</b></p> | <p>JGDM, the Implementing Agent, Consultant and Contractor met on 25/01/2018 where a resolution to terminate the contract with the Contractor on mutual grounds was reached.</p> <p>The PSP was tasked to assist the Implementing Agent (IA) with the termination process.</p> <p>The IA experienced an exodus of personnel which were working on this project and it was difficult to get updates until late in June 2018 where JGDM finally got a feedback from the IA.</p> <p>The termination was through and a process of appointing a new contractor is planned to start in July 2018.</p> <p>The budget was adjusted during Budget Adjustment period from R 17 500 000.000 to R 7 500 000.00</p> <p>The remaining budget that could not be spent on the project was moved to the back –up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure) in order to finish the allocation.</p> |
|---|---|---|-----|----------|---------|--|--|---|



|  |  |   |     |                     |     |                                    |                                       |   |   |
|--|--|---|-----|---------------------|-----|------------------------------------|---------------------------------------|---|---|
| Jamestown Bucket<br>Eradication and<br>Sanitation - Phase 2<br>Contract: JGDM<br>2014/15-009<br>(Pipelines)  | The project constitute the following:<br>(1) Construction of sewer reticulation in Jamestown | 2017/18<br>R15 400 000<br>Adjusted<br>Budget:<br>R 4 000 000. | MIG | Walter Sisulu<br>LM | TBA | 2017/18<br>Exp. =<br>R1,810,430.81 | Progress: <b>Construction</b><br>≤50% |  | The sewer line project was challenged when it was at 50% complete and therefore was instructed by a Supreme Court of Appeals to stop. The judgement was received only late in June 2018, where the SCA instructed that procurement should start from scratch. The budget was adjusted during Budget Adjustment period from R 15 400 000.00 to R 4 000 000.00, after it was noticed that the court case was delaying   |
| Jamestown Bucket<br>Eradication and<br>Sanitation - Phase 2<br>Contract: JGDM<br>2014/15-001 (Pump stations) | The project constitute the following:<br>1. Construction of two Pump stations                | 2017/18<br>R15 400 000<br>Adjusted<br>Budget:<br>R 4 000 000. | MIG | Walter Sisulu<br>LM | TBA | 2017/18<br>Exp.<br>R 4 202 301.35  | Progress: <b>Construction</b><br>≤99% |  | The main contractor has ceded the M&E work to a specialist sub-contractor and they are on site already<br>Pumps have already been installed.<br><br>The project is practically complete and now the pump stations are awaiting Eskom for electrification. The budget was adjusted during Budget Adjustment period from R 15 400 000.00 to R 4 000 000.00. The project picked up pace later on in the financial year and ended up going over the adjusted budget, however still within the overall grant allocation. |

|  |  |   |     |             |     |                                     |  |   |   |
|--|--|---|-----|-------------|-----|-------------------------------------|--|---|---|
| Senqu<br>Sanitation VIP Toilet<br>Programme    | Project is implemented by Implementation Agent for JGDM. The project scope is basically the construction of VIP toilet in various Senqu LM villages    | 2017/18<br>R25 000 000.0<br>Adjusted<br>Budget:<br>R 45 500 000 | MIG | Senqu LM    | TBA | 2017/18<br>Exp. =<br>R43 860 473,30 | Progress: Construction<br>≤100% This does not<br>talk to the actual in APR |  | The project has started and there are 26 Local SMMEs appointed in Senqu area to complete the VIP toilets. A total of 2585 VIP toilets have been completed this FY. Most of the budget that was adjusted from other slow moving project was moved to this project from R 25 000 000.00 to R 45 500 000.00. The budget that could not be spent on this project moved to over spending projects and back-up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure)                                     |
| Elundini<br>Sanitation VIP Toilet<br>Programme | Project is implemented by Implementation Agent for JGDM. The project scope is basically the construction of VIP toilet in various Elundini LM villages | 2017/2018<br>R24 500 000<br>Adjusted<br>Budget:<br>R 45 655 000 | MIG | Elundini LM | TBA | 2017/2018<br>R43 237 996,12         | Progress: Construction<br>≤100%  |  | The project has started and there are 32 Local SMMEs appointed in Elundini area to complete the VIP toilets. A total of 3918 VIP have been completed this FY. This does not talk to the actual in APR. Most of the budget that was adjusted from other slow moving project was moved to this project from R 24 500 000.00 to R 45 655 000.00. The budget that could not be spent on this project moved to over spending projects and back-up project (Upscaling and upgrading of Barkly East Bulk Water Infrastructure) |



|   |   |                        |     |          |     |                                   |                                       |  |
|---|---|------------------------|-----|----------|-----|-----------------------------------|---------------------------------------|--|
| Senqu Rural Water Supply: Network Extension | <p>The scope of the project can be summarised as follows:</p> <p><b>Water supply to the FF:</b></p> <ol style="list-style-type: none"> <li>1. The rural areas (zones 1 to 5 and zone 9) supplied with water from the Jozana's Hoek dam (surface water supply)</li> <li>2. A total of 30 remote rural villages (zones 6 to 8) with an average size of 330 households per village (803 largest and 74 smallest) supplied with water from stand-alone borehole schemes.</li> </ol> | 2017/18<br>R25 000 000 | MIG | Senqu LM | TBA | 2017/18<br>Exp. =<br>R 22 672 634 | Progress: <b>Construction</b><br>≤70% | <p>There were four contracts under this project, and three are still on site while one has completed its portion of the work.</p> <p>There were challenges with regards to the Implementing Agent not paying the contractors, however that has been sorted and contractors are back on site.</p> <p>One of the 3 PSP left has completed its portion of work in June 2018 which was in Penhoek, the other 2 are still working as they started a bit late.</p> |
|---|---|------------------------|-----|----------|-----|-----------------------------------|---------------------------------------|--|

|  |  |   |     |       |                          |                                 |                                       |  |
|--|--|---|-----|-------|--------------------------|---------------------------------|---------------------------------------|--|
| Upscaling and Upgrading of Barkly East Bulk Water Supply | <p>The project entails the following activities for 2017/18 FY:</p> <ol style="list-style-type: none"> <li>1) Source Funding for the project as it was dropped by the initial funder</li> <li>2) Settle unpaid invoices from the previous funder</li> <li>3) Kick start the project and bring back service providers on site</li> <li>4) The project scope was initially to upgrade water abstraction infrastructure at the river, upgrade rising main to the WTW, upgrade the WTW, construction of a pipeline from the WTW to the reservoir, construction of a reservoir and bulk gravity pipeline from the reservoir to Barkly East 298 new settlement.</li> </ol> | 2017/18 Budget Back-up project R 15 216 594 | MIG | Senqu | 01/09/2018<br>30/06/2020 | 2017/18 FY Exp = R12 969 199,27 | Progress: <b>Construction</b><br>≤50% | <p>The project was initially funded by the Department of Human Settlement (DoHS), however they never honoured their commitment and the project was left hanging.</p> <p>JGDM engaged provincial CoGTA and they agreed to fund the project through MIG, and applications were done and were approved in June 2018.</p> <p>The outstanding invoices of Service providers were paid in June 2018, and the rest will be processed in 2018/19 financial year</p> <p>The project is now included in the MIG implementation plan for 2018/19 and 2019/2020 FYs.</p> <p>The PSP is already reviewing the project design as MIG approved to fund the entire project scope.</p> <p>The contractor is expected to establish site at the end of August 2018 next financial year.</p> <p>This project was included as a back-up project and the difference from budget and expenditure was moved to overspending projects</p> |
|--|--|---|-----|-------|--------------------------|---------------------------------|---------------------------------------|--|


|  |  |                        |      |          |                         |                                   |                           |  |
|--|--|------------------------|------|----------|-------------------------|-----------------------------------|---------------------------|--|
| RBIG Funded Sterkspruit WWTW & Bulk Infrastructure | Provision of Professional Services for Feasibility and Implementation Ready Studies; And Design and Construction Management of Sterkspruit Regional WWTW and Associated Bulk Infrastructure in Senqu LM  | 2017/18<br>R 3 000 000 | RBIG | Senqu LM | 12/08/2014<br>completed | 2017/18<br>Exp.<br>=R2 373 584.86 | Progress: Design & Tender | <p>The Sterkspruit Regional WWTW has been endorsed by Department of Water and Sanitation (DWS) at the Eastern Cape Technical Appraisal Committee (ECTAC) meeting that was on 13/03/2018 and a go ahead for implementation has been granted. JGDM is now awaiting funding letter in order to proceed with the procurement of the contractor</p> <p>By the end of June 2018, there was still no response from DWS</p> <p>Total allocation for these two projects funded by RBIG was R 6 000 000 for 2017/18 FY, and the allocation was 100% spend.</p> |
| RBIG Funded: Lady Grey Bulk Water Supply           | The Zachtvelei Dam and Karringmelkspruit projects currently form part of the broader RBIG funded project to address Lady Grey's medium- to long-term water requirements (the EC Treasury funded projects address Lady Grey's immediate water needs). | 2017/18<br>R3 000 000  | RBIG | Senqu LM | 12/08/2014<br>completed | 2017/18<br>Exp.<br>3 626 415 =R   | Progress: Design & Tender | <p>The project has been presented to the DWS through their ECTAC meeting on 13/03/2018 and has been endorsed by ECTAC and now will be presented to ECPCC to approval of project funding.</p> <p>By the end of June 2018, there was still no response from DWS</p> <p>Total allocation for these two projects funded by RBIG was R 6 000 000 for 2017/18 FY, and the allocation was 100% spend.</p>   |



|   |  |   |      |          |                          |   |                          |           |   |
|---|--|---|------|----------|--------------------------|---|--------------------------|-----------|---|
| Sub-Project 1: Lady Grey: Borehole Pump stations and Storage Reservoirs | The project entails the following: (1) Equipping 7 Boreholes with complete pump houses propelled with electrical power (2) 50kl storage reservoir, (3) 160mm gravity main into the reticulation network, and (4) inclusive of certain emergency works. | Total budget<br>R20M<br>2017/18<br>R10M | ECPT | Senqu LM | 26/04/2016<br>14/07/2017 | Total Exp. Prev.<br>FYs = R19.4M<br>2017/18<br>Exp. = R498K | Progress:<br>(retention) | Completed | <p>The PSP was appointed on a turnkey basis (i.e. design and construct).</p> <ul style="list-style-type: none"> <li>The project is complete with the following snags:</li> <li>Installation of Eskom electricity and connection to pump stations -- All payments have been done and we are awaiting Eskom installation</li> <li>The Water Use License application for water abstraction is in process.</li> </ul> |
|---|--|---|------|----------|--------------------------|---|--------------------------|-----------|---|

|  |   |   |      |                  |                          |  |  |   |  |   |
|--|---|---|------|------------------|--------------------------|--|--|---|--|---|
| <b>Sub-Project 4:</b><br>Lady Grey: Additional Storage Reservoirs and Groundwater supplies | The project entails the following: (1) Equipping 3 boreholes with complete pump houses propelled with electrical power, (2) 3 Storage Reservoirs (1ML, 300KL & 100KL), (3) 250mm bulk line and (4) 160mm gravity main into the reticulation network | Total Budget<br>R35.8M<br>2017/18<br>R35.8M | ECPT | Senqu LM         | 22/04/2017<br>30/04/2018 | Total Exp. Prev.<br>FYs = R4.4M<br>2017/18<br>Exp.= R21 603 475    | Progress: Construction<br><= 60%       |  | The Contractor experienced cash flow constraints and requested to appoint a sub that has financial capacity<br>• The Contractor then appointed a sub-contractor to complete the three reservoirs in the contract.<br>• The Sub-contractor struggled with cash flows as well and have since pulled out of the project<br>• The Municipality is weighing the options of terminations as the situation of the main contractor is still the same<br>This grant is a schedule 6, and therefore the monitoring of the budget sits with Eastern Cape Provincial Treasury. | The Contractor then experienced cash flow constraints and requested to appoint a sub that has financial capacity<br>• The Contractor then appointed a sub-contractor to complete the three reservoirs in the contract.<br>• The Sub-contractor struggled with cash flows as well and have since pulled out of the project<br>• The Municipality is weighing the options of terminations as the situation of the main contractor is still the same<br>This grant is a schedule 6, and therefore the monitoring of the budget sits with Eastern Cape Provincial Treasury. |
| Aliwal North: The Outfall sewer from SPA to the Nursery PS                                 | The project entails the Construction of the East Sewer Line and Associated Works  | Total Budget<br>R21.5M<br>2017/18<br>R5M    | ECPT | Walter Sisulu LM | 8/04/2016<br>3/11/2017   | Total Exp. Prev.<br>FYs = R17.8M<br>2017/18<br>Exp.= R3,077,628.09 | Progress: Complete (retention)<br>100% |  | Certificate of Completion was issued on 2 November 2017.<br>• The servitudes where the sewer crosses even have to be surveyed and registered by a Land Surveyor.   | Certificate of Completion was issued on 2 November 2017.<br>• The servitudes where the sewer crosses even have to be surveyed and registered by a Land Surveyor.  |




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| Aliwal North: Reconstruction of the Nursery Pump Station (NPS)  | The works constitute the construction of the following: (1) New pump station fitted with adequate modern submersible pumps and a stand-by generator. (2) Emergency sewer reconstruction in Dukathole was also included in the project. | Total Budget<br>R4.1M<br>2017/18<br>R800,000.00 | ECPT | Walter Sisulu<br>LM | 8/10/2015<br>10/11/2016 | Total Exp. Prev. FYs = R4,043,377.07<br>2017/18<br>Exp = R202,168.82 (Retention Release)   | Progress: Complete | 100% | Practical Completion – Certificate of Practical Completion issued on 10 November 2016<br>• Certificate of Completion – of Certificate of Completion issued on 24 November 2016<br>• Final Approval Certificate – Final inspection was done, Final Approval Certificate was issued on 20 November 2017. |
| Aliwal North: Rehabilitation of the pumping and gravity main between the Nursery Pump Station and Phola Park Pump Station | The works constitute the following: (1) Construction of a new pumping main along a new alignment. (2) Increasing the diameters (315mm Ø) to cope with the increased and future flow volumes.   | Total Budget<br>R5M<br>2017/18<br>R700,000.00   | ECPT | Walter Sisulu<br>LM | 6/04/2016<br>6/10/2016  | Total Exp. Prev. FYs = R4,829,484.60<br>2017/18<br>Exp = R0 (Retention Release: Retention is invoiced. A guarantee is in place in lieu of the retention) | Progress: Complete | 100% | Practical Completion – Certificate of Practical Completion issued on 6 October 2016<br>• Certificate of Completion – of Certificate of Completion issued on 20 November 2016<br>• Final Approval Certificate – Final inspection was done, Final Approval Certificate was issued on 20 November 2017.   |
| Aliwal North: Reconstruction of the Pumping Main from PPPS to the Waste Water Treatment Works                             | The works on this project constituted the following: (1) Reconstruction of the Pumping Main from PPPS to the Waste Water Treatment Works   | Total Budget<br>R4M<br>2017/18<br>R500,000.00   | ECPT | Walter Sisulu<br>LM | 6/04/2016<br>6/10/2016  | Total Exp. Prev. FYs = R3,794,540.98<br>2017/18<br>Exp = R189,727.05 (Retention Release)   | Progress: Complete | 100% | Practical Completion – Certificate of Practical Completion issued on 28 October 2016<br>• Certificate of Completion – of Certificate of Completion issued on 9 November 2016<br>• Final Approval Certificate – Final inspection was done, Final Approval Certificate was issued on 20 November 2017.   |


|   |  |   |      |                     |                         |   |                                  |   |   |
|---|--|---|------|---------------------|-------------------------|---|----------------------------------|---|---|
| Aliwal North: Rehabilitation of the Mechanical Plant at the Waste Water Treatment Works and the Phola Park Pump Station | The works on this project constituted of the following:<br>(1) Rehabilitation of the Mechanical Plant at the Waste Water Treatment Works,<br>(2) and the Phola Park Pump Station | Total Budget R<br>45,934,844.60<br>2017/18<br>R500,000.00 | ECPT | Walter Sisulu<br>LM | 6/04/2016<br>15/11/2017 | Total Exp. Prev.<br>FYs=<br>R44,779,016.97<br>2017/18<br>Exp =<br>R189,727.05<br>(Retention<br>Release) | Progress: Construction<br><=99%, |  | <p><b>Tecroover Plant</b></p> <ul style="list-style-type: none"> <li>The Tecroover Plant is in operation.</li> <li>Old Activated Sludge Plant</li> <li>All mechanical equipment has been refurbished.</li> <li>Cleaning of the sludge is now complete.</li> </ul> <p><b>Phola Park Pump Station</b></p> <ul style="list-style-type: none"> <li>The motor of one of the pumps is malfunctioning. This has been taken up with the supplier, who will see to the repair thereof.</li> <li>The project is now approaching completion.</li> </ul> <p>VO's need to be approved, in order to reach completion for BD board which is not functioning well. The Funder is still reluctant to approve this VO as there are saying that it more operational and it's something that can be funded by JGDM. The PSP has been requested to make a presentation of which the date falls on 2018/19 FY</p> |
|---|--|---|------|---------------------|-------------------------|---|----------------------------------|---|---|

|  |   |   |      |                  |                          |  |                                      |      |  |
|--|---|---|------|------------------|--------------------------|--|--------------------------------------|------|--|
| Replacement of Water Mains in La Rochelle Street, in Burgersdorp | The project was to replace the pipeline system in La Rochelle street in Burgersdorp | Total Budget<br>R9,598,843.09<br>2017/18<br>R500,000.00 | ECPT | Walter Sisulu LM | 14/03/2016<br>04/10/2017 | Total Exp. Prev.<br>FYs=<br>R9,365,536.01<br>2017/18<br>Exp = R0 | Progress:<br>complete<br>(Retention) | 100% | <p>Lead PSP held a meeting on the 16th of November 2017 with JGDM maintenance to resolve the issue of house connections and commissioning of the new line which were not done, as problems that were not detected during construction were picked up after the final completion was issued. And it was agreed that the contractor that is working there Burgersdorp on a related project should complete the connections</p> <ul style="list-style-type: none"> <li>Material have been purchased and the contractor plans to install the fitting by August 2018</li> <li>The project is complete and it is on defects liability period.</li> <li>This grant is a schedule 6, and therefore the monitoring of the budget sits with Eastern Cape Provincial Treasury.</li> </ul> |
|--|---|---|------|------------------|--------------------------|--|--------------------------------------|------|--|



|   |   |   |      |                     |                          |  |  |   |  |
|---|---|---|------|---------------------|--------------------------|--|--|---|--|
| Replacement of Water Mains in Queenstown Road, in Burgersdorp | The objective of the project was to replace the pipeline system in Queenstown Road in Burgersdorp | Total Budget<br>R7,616,844.52<br>2017/18<br>R1,000,000.00 | ECPT | Walter Sisulu<br>LM | 14/03/2016<br>16/05/2017 | Total Exp. Prev.<br>FYs=<br>R6,632,064.64<br>2017/18<br>Exp = R0 | Progress: 100%<br>Complete (Retention) | 👍 | <p>Lead PSP held a meeting on the 16th of November 2017 with JGDM maintenance to resolve the issue of house connections and commissioning of the new line which were not done, as problems that were not detected during construction were picked up after the final completion was issued. And it was agreed that the contractor that is working there Burgersdorp on a related project should complete the connections</p> <ul style="list-style-type: none"> <li>• Material have been purchased and the contractor plans to install the fitting by August 2018</li> <li>• The project is complete and it is on defects liability period.</li> </ul> |
| Refurbishment of Klip Chiappinni's Dam 2                      | The objective of the project was to rehabilitate Chiappinni Klip dam                              | Total Budget<br>R5,801,819.10<br>2017/18<br>R500,000.00   | ECPT | Walter Sisulu<br>LM | 9/04/2016<br>13/02/2017  | Total Exp. Prev.<br>FYs=<br>R4,901,649.34<br>2017/18<br>Exp = R0 | Progress: 100%<br>Complete (Retention) | 👍 | <p>The project is complete.</p> <ul style="list-style-type: none"> <li>• Penalties will be applied for late completion of project on the last Payment Certificate.</li> <li>• Fencing and grassing will be done as a separate project.</li> </ul>  |

|  |   |  |      |                  |                          |  |  |   |   |
|--|---|--|------|------------------|--------------------------|--|--|---|---|
| Replacement of Water Mains in Rose Road, Burgersdorp | The objective of the project was to replace the pipeline system in Rose Road in Burgersdorp   | Total Budget<br>R10,048,712.54<br>2017/18<br>R500,000.00   | ECPT | Walter Sisulu LM | 24/10/2016<br>26/06/2017 | Total Exp. Prev.<br>FYs= R7,404,243.23<br>2017/18<br>Exp.= R0          | Progress: Complete (Retention)<br>100% |  | The project is complete and is on defects liability stage.<br>• Penalties will be applied for late completion of project on the last Payment Certificate.   |
| Burgersdorp Sump Plantation and Boreholes            | The project entails the construction of Sump next to the Burgersdorp WTW  | Total Budget<br>R8,708,192.95<br>2017/18<br>R11,500,000.00 | ECPT | Walter Sisulu LM | 11/05/2017<br>11/11/2018 | Total Exp. Prev.<br>FYs= R0<br>2017/18<br>Exp.= R3 430 779.04          | Progress: Construction<br>≤80%         |  | It was unfortunate here that the director of the appointed contractor passed away, and while he was terminally ill he agreed to cede the entire job to his sub-contractor and this process delayed the project a bit.<br>• The project is progressing well and is planned to be completed by the end of November 2018<br>This grant is a schedule 6, and therefore the monitoring of the budget sits with Eastern Cape Provincial Treasury. |
| Steynsburg Koppie Water Supply                       | The project constituted of the following:<br>(1) Construction of Three boreholes with their pump houses<br>(2) Bulk main and gravity main to the existing reticulation network<br>(3) Reservoir | Total Budget<br>R7,935,323.4<br>2017/18<br>R4,000,000.00   | ECPT | Walter Sisulu LM | 11/10/2016<br>07/11/2017 | Total Exp. Prev.<br>FYs= R5,707,593.97<br>2017/18<br>Exp.= R809,412.28 | Progress: Construction<br>≤100%        |  | The project was completed in December 2017, and is now on defects liability period which will end in December 2018  |

|  |   |                                    |      |                     |                          |   |                                |   |   |
|--|---|------------------------------------|------|---------------------|--------------------------|---|--------------------------------|---|---|
| 6ML<br>Reservoir<br>Storage<br>at<br>Burgersdorp WTW | Construction of 6ML reservoir<br>next to the<br>WTW | Total Budget<br>R26,667,014.8<br>0 | ECPT | Walter Sisulu<br>LM | 09/11/2017<br>28/11/2018 | Total Exp. Prev.<br>FYs= R 0<br>2017/18<br>Exp.=<br>R1 006 000.00 | Progress: Construction<br>≤25% |  | <p>It was unfortunate here that the director of the appointed contractor passed away, and while he was terminally ill he agreed to cede the entire job to his sub-contractor and this process delayed the project a bit.</p> <ul style="list-style-type: none"> <li>The project is progressing well and is planned to be completed by the end of November 2018</li> </ul> <p>This grant is a schedule 6, and therefore the monitoring of the budget sits with Eastern Cape Provincial Treasury.</p> |
|--|---|------------------------------------|------|---------------------|--------------------------|---|--------------------------------|---|---|

# APPENDIX E: LONG TERM CONTRACTS AND PUBLIC PRIVATE PARTNERSHIP

## Non-Infrastructure Projects

| ID NO         | DESCRIPTION OF SERVICE  | END-USER/PROJECT MANAGER | CONTRACTOR/SERVICE PROVIDER               | DURATION  | START DATE | EXPIRY DATE                          | CONTRACT AMOUNT | PAYMENTS MADE TO DATE  | EXTENSION / VARIATION        | COMMENTS  |
|---------------|---|--------------------------|---|-----------|------------|--------------------------------------|-----------------|--|------------------------------|---|
| 7/2011        | Provision of Banking services   | Mr C. Samuels            | ABSA Bank                                 | 60 Months | 01/10/2011 | 30/09/2016<br>Extended to 31/12/2018 | Rate based      | R683 829 955.34 (13-09-2011 to 30-06-2018)   | N/A                          | Contract running satisfactorily   |
| 2/2011        | Provision of Municipal Insurance  | Ms. N. Motswa            | Lateral Union Insurance Brokers (Pty) Ltd | 36 Months | 01/09/2012 | 30/08/2016<br>Extended to 31/12/2018 | R88 640.00      | R15 573 934.28 (Yearly premium) (25-09-2012 to 30-06-2018)                         | Yes (Premium Adjustment etc) | Contract running satisfactorily. The end-user has included some items and thus increased premium. |
| Single Source | Loading of Franking Machine (Postage stamps)                              | Corporate Services       | Fin Tech Creditor Postage                 | 24 Months | 01/08/2000 | Ongoing                              | Rate based      | R43 384.28 Initially (10/09/2012 to 20/05/2013) but now on a month to month basis. | N/A                          | Contract running satisfactorily   |
| 3DM2012/3-002 | Provision of Internal Audit, Information technology and Forensic Services | Ms. A. Mahamba           | KPMG                                      | 36 Months | 20/01/2013 | 30/06/2017<br>Extended to 31/10/2017 | Rates based     | R5 664 469.34 (20/11/2012 to 31/10/2017)   | Yes                          | Contract running satisfactorily   |
| 3DM2013/4-034 | Provision of employment checks  | S. Botha                 | Managed Integrity Evaluation (Pty) Ltd    | 36 Months | 01/12/2014 | 31/11/2017                           | Rates based     | R92 756.84 (31/03/2015 to 30/11/2017)  | N/A                          | Contract running satisfactorily   |
| 3DM2014/5-004 | Supply and Delivery of Tyres, Tubes and Flaps                             | U. Rozani                | Celeba cc t/a Hi-Q Alwal North            | 36 Months | 11/12/2014 | 11/12/2017<br>Extended to 30/09/2018 | Rates based     | R2 723 791.31 (13/01/2015 to 30-06-2018)   | N/A                          | Contract running satisfactorily   |

| D NO          | DESCRIPTION OF SERVICE  | END-USER/ PROJECT MANAGER | CONTRACTOR/ SERVICE PROVIDER                                   | DURATION  | START DATE | EXPIRY DATE                          | CONTRACT AMOUNT | PAYMENTS MADE TO DATE                         | EXTENSION / VARIATION | COMMENTS  |
|---------------|---|---------------------------|--|-----------|------------|--------------------------------------|-----------------|---|-----------------------|---|
| DM2013/14-002 | Appointment of a service provider to offer Financial Service support to JGDM  | S. Du Toit                | Price Waterhouse Coopers                                       | 36 Months | 17/11/2014 | 17/11/2017<br>Extended to 31/12/2018 | Rates base      | R2 849 729.86 (01/05/2014 to 30/06/2018)      | N/A                   | Contract running satisfactorily<br>Formatted: Space After: 3 pt<br>Formatted Table                |
| Single Source | Implementation and continuation of the billing function   | Ms S. Du Toit             | Sebata Municipal Solutions                                     | 36 Months | 09/06/2014 | 31/05/2017<br>Extended to 31/12/2018 | Rates basis     | R58 056 225.01 (06/08/2015 to 31/01/2018)     | N/A                   | Contract satisfactory<br>Formatted: Space After: 3 pt   |
| DM2015/16-004 | Appointment letter of a service provider to offer Certificate in Municipal Finance Management Learnership                           | Ms N. Nelani              | Kgolo Business Trust t/a Kgolo Institute                       | 12 Months | 01/10/2015 | 31/09/2016<br>Extended               | R683 088.00     | 0.00  | N/A                   | Order not placed. Funds transferred to LGSETA.<br>Formatted: Space After: 3 pt<br>Formatted Table |
| DM2014/15-002 | Supply and Delivery of Cutting Edge Grader Blades and nuts  | Mr U. Rozani              | Universal Equipment (Pty)Ltd                                   | 24 Months | 01/01/2015 | 31/12/2017                           | Rates base      | R425 501.02 (09/02/2015 to 31/12/2017)        | N/A                   | Contract<br>Formatted: Space After: 3 pt  |
| DM2014/15-003 | Provision of Security Services - Gariep   | Ms L. Matvesini           | ImbokothoMkhonto Security Services                             | 36 Months | 01/07/2015 | 27/06/2018                           | Rates based     | R1 609 660.85 (20/08/2015 to 30/06/2018)      | N/A                   | Contract running satisfactorily<br>Formatted: Space After: 3 pt                                   |
| DM2014/15-007 | Supply and Delivery of Stationery   | Mr D. Van Wyk             | Mbuzone Holding NRG Office Solutions<br>Life Junkiez (Pty) Ltd | 36 Months | 02/04/2015 | 02/03/2018                           | Rates base      | R611 797.48<br>R1 293 628.71<br>R1 552 502.88 | N/A                   | Contract<br>Formatted: Space After: 3 pt  |
| DM2014/15-008 | Review of Water Services Development Plan for JGDM  | Mr B. Makhehle            | Element Consulting Engineers (PTY) Pty                         | 36 Months | 01/01/2015 | 31/12/2017                           | Rates base      | R1 105 235.12 (24/07/2015 to 31/03/2018)      | N/A                   | Contract<br>Formatted: Space After: 3 pt  |
| DM2014/15-018 | Appointment of a service provider to supply, delivery and offloading of Coagulants, Ga. Liquid, Granular Chlorine Soda Ash and Lime | Mr B. Makhehle            | Metsi Water Solutions (Pty) Ltd                                | 36 Months | 04/04/2016 | 03/04/2019                           | Rates base      | R6 416 079.82 (20/06/2016 to 30/06/2018)      | N/A                   | Contract running satisfactorily<br>Formatted: Space After: 3 pt                                   |



| <b>ID NO</b>   | <b>DESCRIPTION OF SERVICE</b>  | <b>END-USER/ PROJECT MANAGER</b> | <b>CONTRACTOR/ SERVICE PROVIDER</b>           | <b>DURATION</b> | <b>START DATE</b> | <b>EXPIRY DATE</b>                   | <b>CONTRACT AMOUNT</b> | <b>PAYMENTS MADE TO DATE</b>              | <b>EXTENSION / VARIATION</b> | <b>COMMENTS</b>  |
|----------------|--|----------------------------------|---|-----------------|-------------------|--------------------------------------|------------------------|---|------------------------------|--|
| GDM2014/15-020 | Provision of Security Services - Senqu   | Ms L. Matvesini                  | ImbokothoMkhonto Security Services            | 36 Months       | 01/10/2015        | 30/09/2018                           | Rates based            | R4 156 445.13 (01/10/2015 to 30/06/2018)  | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt<br>Formatted Table |
| GDM2014/15-020 | Provision of Security Services - Elundini  | Ms L. Matvesini                  | ImbokothoMkhonto Security Services            | 36 Months       | 01/10/2015        | 30/09/2018                           | Rates based            | R2 786 927.43 (01/10/2015 to 30/06/2018)  | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt                    |
| GDM2014/15-020 | Provision of Security Services - Maletswai   | Ms L. Matvesini                  | Yolile Security Services                      | 36 Months       | 01/10/2015        | 30/09/2018                           | Rates based            | R1 303 588.30 (01/10/2015 to 30/06/2018)  | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt                    |
| GDM2014/15-021 | Appointment of a Service Provider to offer Legal Service Support to JGDM                 | Ms N. M. Libasi                  | Clark Laing Inc Attorneys                     | 36 Months       | 01/10/2015        | 31/09/2018                           | Rates Based            | R2 509 341.53 (03/11/2015 to 30/06/2018)  | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt<br>Formatted Table |
| GDM2014/15-035 | Supply and Delivery of barriers  | U. Rozani                        | Hi - Q. Aliwal North                          | 36 Months       | 01/06/2015        | 30/05/2018<br>Extended to 30/09/2018 | Rates base             | R235 297.04                               | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt                    |
| INGLE SOURCE   | Laboratory services  | Mr B. Makhele                    | East London Industrial Development zone       | 36 Months       | 01/01/2015        | 31/12/2018                           | Rates basis            | R6 556 442.71 (07/04/2015 to 30/06/2018)  | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt                    |
| 33/2015-HR     | Appointment of a service provider for provision of support in Human Resources management | Mr S. Botha                      | Charmaine van Schaikwsk Consulting            | 36 Months       | 17/12/2015        | 17/12/2018                           | Rates basis            | R1 683 537.69 (18/12/2015 to 30/06/2018)  | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt                    |
|                | Provision of Travel Agency Services  | Ms N. Mlotywa                    | LithabaBasadi Investments t/a Lithaba Travels | 36 Months       | 01/03/2016        | 28/02/2019                           | Rates basis            | R16 349 844.49 (01/03/2016 to 30/06/2018) | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt                    |
| ETS/Tel/01     | Appointment of a service provider to supply and install a monitored system               | Mr L. Gush                       | Singa Tel (Pty) Ltd t/a NET 15                | 36 Months       | 01/07/2016        | 30/06/2019                           | Rates Basis            | R3 079 939.42 (01/02/2017 to 30/06/2018)  | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt                    |
| IT-25-2016     | Procurement of an integrated Financial Management and Internal control system            | Ms S Du Toit                     | Sebata Municipal Solutions (Pty) Ltd          | 36 Months       | 01/12/2016        | 30/11/2019                           | Rates based            | R4 745 125.60                             | N/A                          | Contract satisfactory<br>Formatted: Space After: 3 pt                    |

| <u>ID NO</u>            | <u>DESCRIPTION OF SERVICE</u>   | <u>END-USER/ PROJECT MANAGER</u> | <u>CONTRACTOR/ SERVICE PROVIDER</u>      | <u>DURATION</u>  | <u>START DATE</u> | <u>EXPIRY DATE</u> | <u>CONTRACT AMOUNT</u>                | <u>PAYMENTS MADE TO DATE</u>                  | <u>EXTENSION / VARIATION</u> | <u>COMMENTS</u>  |
|-------------------------|---|----------------------------------|--|------------------|-------------------|--------------------|---------------------------------------|---|------------------------------|--|
|                         | as it relate to the utilization of transversal tender   |                                  |  |                  |                   |                    |                                       |   |                              | Formatted: Space After: 3 pt<br>Formatted Table              |
| <u>GDM2015/16-023</u>   | <u>Appointment for Supply and Delivery of Fencing Material</u>  | <u>Ms N. Kilishe</u>             | <u>Songo- Qholo (Pty) Ltd</u>            | <u>36 Months</u> | <u>01/02/2017</u> | <u>31/01/2020</u>  | <u>Rates based</u>                    | <u>0.00</u>                                   | <u>N/A</u>                   | <u>Order no placed</u><br>Formatted: Space After: 3 pt       |
| <u>GDM2015/16-030</u>   | <u>Appointment of a service provider to perform duties of a company secretary and provider Legal services for JOGEDA</u>                | <u>Ms N. Kethwa</u>              | <u>Clark Laing Inc</u>                   | <u>36 Months</u> | <u>01/10/2016</u> | <u>30/09/2019</u>  | <u>Rates basis</u>                    | <u>R713 991.84</u>                            | <u>N/A</u>                   | <u>Contract satisfactory</u><br>Formatted: Space After: 3 pt |
| <u>GDM2015/16-022</u>   | <u>Appointment of a service provider to Supply and Deliver all-purpose cement</u>   | <u>Ms N. Kilishe</u>             | <u>S and J Dynamic Trading</u>           | <u>36 Months</u> | <u>01/10/2016</u> | <u>30/09/2019</u>  | <u>Rates basis</u>                    | <u>R472 777.50 (18/10/2016 to 30/06/2018)</u> | <u>N/A</u>                   | <u>Contract satisfactory</u><br>Formatted: Space After: 3 pt |
| <u>IGDM2016/17-2006</u> | <u>External Audit Services</u>  | <u>Ms N. Kilishe</u>             | <u>Morar Incorporated</u>                | <u>36 Months</u> | <u>01/09/2016</u> | <u>31/08/2019</u>  | <u>R84 672 per annum</u>              | <u>R337 726.22</u>                            | <u>N/A</u>                   | <u>Contract satisfactory</u><br>Formatted: Space After: 3 pt |
| <u>IGDM2016/17-205</u>  | <u>Appointment of an Events Agent to manage and facilitate event management and catering for Joe Gqabi District Municipality Events</u> | <u>Mr M. Dyanvi</u>              | <u>Iqgabi Solutions</u>                  | <u>36 Months</u> | <u>17/05/2017</u> | <u>17/05/2020</u>  | <u>15% for every event management</u> | <u>R2 345 016.39</u>                          | <u>N/A</u>                   | <u>Contract satisfactory</u><br>Formatted: Space After: 3 pt |
| <u>IGDM2016/17-210</u>  | <u>Supply and Delivery of Lubricants</u>  | <u>Mr U. Rozani</u>              | <u>Barkly East Motors</u>                | <u>36 Months</u> | <u>01/07/2017</u> | <u>30/06/2020</u>  | <u>Rates based</u>                    | <u>R458 519.92</u>                            | <u>N/A</u>                   | <u>Contract satisfactory</u><br>Formatted: Space After: 3 pt |
| <u>IGDM2016/17-2015</u> | <u>Supply and Delivery of Steel Reinforcement Mesh</u>  | <u>Ms N. Kilishe</u>             | <u>S and J Dynamic Trading</u>           | <u>36 Months</u> | <u>01/07/2017</u> | <u>30/06/2020</u>  | <u>Rates based</u>                    | <u>0.00</u>                                   | <u>N/A</u>                   | <u>Order no placed</u><br>Formatted: Space After: 3 pt       |
| <u>IGDM2016/17-018</u>  | <u>Supply and Delivery of Computers and Other IT Equipment</u>  | <u>Mr L. Gush</u>                | <u>SMS ICT CHOICE (PTY) LTD</u>          | <u>36 Months</u> | <u>01/08/2017</u> | <u>31/07/2020</u>  | <u>Rates based</u>                    | <u>R46 910.20</u>                             | <u>N/A</u>                   | <u>Contract satisfactory</u><br>Formatted: Space After: 3 pt |
| <u>IGDM2016/17-018</u>  | <u>Supply and Delivery of Computers and Other</u>   | <u>Mr L. Gush</u>                | <u>Genbiz Trading 1001 (Pty) Ltd t/a</u> | <u>36 Months</u> | <u>01/08/2017</u> | <u>31/07/2020</u>  | <u>Rates based</u>                    | <u>R52 193.99 (09/08/2019 to</u>              | <u>N/A</u>                   | <u>Contract satisfactory</u><br>Formatted: Space After: 3 pt |



| BID NO          | DESCRIPTION OF SERVICE   | END-USER/ PROJECT MANAGER | CONTRACTOR/ SERVICE PROVIDER       | DURATION  | START DATE | EXPIRY DATE | CONTRACT AMOUNT | PAYMENTS MADE TO DATE | EXTENSION / VARIATION | COMMENTS               | Formatted: Space After: 3 pt<br>Formatted Table                        |
|-----------------|--|---------------------------|------------------------------------|-----------|------------|-------------|-----------------|-----------------------|-----------------------|------------------------|--|
|                 | IT Equipment.  |                           | Aloe Office and Business Equipment |           |            |             |                 | 30/06/2018)           |                       |                        |  |
| JGDM2016/ 7-019 | Supply and Delivery of Sprinklers  | Mr R. Labuschagne         | Yebo Sales Wildcoast cc            | 36 Months | 01/08/2017 | 31/07/2020  | Rates based     | 0.00                  | N/A                   | Order no placed        | Formatted: Space After: 3 pt   |
| JGDM2016/ 7-004 | Supply and Delivery of Corporate gifts   | Ms L. Brummer             | BLB Printing corner (Pty) Ltd      | 36 Months | 01/10/2017 | 30/09/2020  | Rates based     | R15 226.00            | N/A                   | Contract satisfactory. | Formatted: Space After: 3 pt   |
| JGDM2016/ 7-006 | Supply, Installation, Commissioning and Management of water and wastewater services infrastructure telemetry system inclusive of online water quality monitoring system. | Mr D. Lusawana            | Hybrid Control Corporation         | 36 Months | 05/10/2017 | 05/10/2020  | Rates based     | R8 485 226.34         | N/A                   | Contract satisfactory. | Formatted: Space After: 3 pt   |
| JGDM2016/ 7-003 | Supply, Delivery, Installation of Branding Material  | Ms L. Brummer             | Bravo Afrika Holdings cc           | 36 Months | 01/12/2017 | 30/11/2020  | Rates Based     | 0.00                  | N/A                   | Order no placed        | Formatted: Space After: 3 pt   |
| JGDM2016/ 7-003 | Supply, Delivery, Installation of Branding Material  | Ms L. Brummer             | Amended Recline Trading & Projects | 36 Months | 01/12/2017 | 30/11/2020  | Rates Based     | 0.00                  | N/A                   | Order no placed        | Formatted: Space After: 3 pt   |
| JGDM2016/ 7-008 | Supply and Delivery of Consumables and other Cleaning Material   | Ms L. Matvesini           | MXT Construction and Services      | 36 Months | 01/11/2017 | 31/10/2020  | Rates Based     | R36 242.15            | N/A                   | Contract satisfactory  | Formatted: Space After: 3 pt<br>Formatted Table                        |
| JGDM2016/ 7-008 | Supply and Delivery of Consumables and other Cleaning Material   | Ms L. Matvesini           | Inzaliseko Trading Enterprise      | 36 Months | 01/11/2017 | 31/10/2020  | Rates Based     | R159 299.25           | N/A                   | Contract satisfactory  | Formatted: Font: (Default) Arial, 9 pt<br>Formatted: Space After: 3 pt |
| JGDM2016/ 7-008 | Supply and Delivery of Consumables and other Cleaning Material   | Ms L. Matvesini           | Chongwa Investments Holdings       | 36 Months | 01/11/2017 | 31/10/2020  | Rates Based     | R17037.42             | N/A                   | Contract satisfactory. | Formatted: Space After: 3 pt   |
| JGDM2016/ 7-008 | Supply and Delivery of Consumables and other Cleaning Material   | Ms L. Matvesini           | Copper Leaf Trading 580 cc         | 36 Months | 01/11/2017 | 31/10/2020  | Rates Based     | R42 220.32            | N/A                   | Contract satisfactory. | Formatted: Space After: 3 pt   |

| CO NO         | DESCRIPTION OF SERVICE  | END-USER/ PROJECT MANAGER | CONTRACTOR/ SERVICE PROVIDER   | DURATION  | START DATE | EXPIRY DATE | CONTRACT AMOUNT | PAYMENTS MADE TO DATE | EXTENSION / VARIATION | COMMENTS        | Formatted: Space After: 3 pt<br>Formatted Table |
|---------------|---|---------------------------|--|-----------|------------|-------------|-----------------|-----------------------|-----------------------|-----------------|---|
| DM2016/ 14    | Supply and Delivery of Agricultural Lime                          | Ms N. Kilishe             | Magricor (Pty) Ltd   | 36 Months | 01/12/2017 | 30/11/2020  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |
| DM2017/ 8-001 | Infrastructure Assets Management Support                          | Mr R. Fortuin             | Aurecon South Africa (PTY) Ltd   | 36 Months | 01/06/2018 | 31/05/2021  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |
| DM2017/ 8-002 | Provision of Vacuum Tankers Services                              | Mr D. Lusawana            | Buyanako Projects (Pty) Ltd  | 36 Months | 01/05/2018 | 30/04/2021  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |
| DM2017/ 8-002 | Provision of Vacuum Tankers Services                              | Mr D. Lusawana            | Monguni Investment cc  | 36 Months | 01/05/2018 | 30/04/2021  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |
| DM2017/ 8-003 | Provision of Training Agent                                       | Ms N. Nelani              | Academy of Training Agent Services   | 36 Months | 01/05/2018 | 30/04/2021  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |
| DM2017/ 8-003 | Provision of Training Agent                                       | Ms N. Nelani              | LizwaNtshabati Trading cc  | 36 Months | 01/05/2018 | 30/04/2021  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |
| DM2017/ 8-008 | Supply and Delivery of Personal Protective Clothing and Equipment | Mr N. Mayosi              | Heed SA (Pty) Ltd  | 36 Months | 01/05/2018 | 30/04/2021  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |
| DM2017/ 8-010 | Supply, Delivery, Installation and Servicing of Fire Equipment    | Mr N. Mayosi              | Magnum Fire  | 36 Months | 01/06/2018 | 31/05/2021  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |
| DM2017/ 8-010 | Supply, Delivery, Installation and Servicing of Fire Equipment    | Mr N. Mayosi              | Technofire Services  | 36 Months | 01/06/2018 | 31/05/2021  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |
| DM2017/ 8-015 | Annual Medical Surveillance                                       | Mr N. Mayosi              | Liqhaviya Investment V/a Lqhaviya Occupational Health and Safety Consultants | 36 Months | 01/05/2018 | 30/04/2021  | Rates Based     | 0.00                  | N/A                   | Order no placed | Formatted: Space After: 3 pt                    |

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(South Africa)

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| INFRASTRUCTURE RELATED PROJECTS |   |                            |                                    |           |            |                                   |   |  |                      |   | Formatted | ... | [372] |
|---------------------------------|---|----------------------------|------------------------------------|-----------|------------|-----------------------------------|---|--|----------------------|---|-----------|-----|-------|
| NO                              | DESCRIPTION OF SERVICE  | END-USER /PROJECT /MANAGER | CONTRACTOR /SERVICE PROVIDER       | DURATION  | START DATE | EXPIRY DATE                       | CONTRACT AMOUNT                                     | PAYMENTS MADE TO DATE                      | EXTENSION /VARIATION | COMMENTS                                | Formatted | ... | [373] |
| 2011                            | Vacuum Tanking Services @ Maclear                                 | Mr. D. Lusawana            | Escav Catering & Other Services cc | 36 Months | 01/09/2012 | 30/06/2016<br>Extended 30/09/2018 | R2 100.00 daily rates. Rate reviewed to R3 000/day. | R9 570 984.95 (05/10/2012 to 30/06/2018)   | Yes                  | Contract still running satisfactorily   | Formatted | ... | [374] |
| 2011                            | Vacuum Tanking Services @ Mount Fletcher                          | Mr. D. Lusawana            | Umnacunube Trade & Invest cc       | 36 Months | 01/09/2012 | 30/06/2016<br>Extended 30/09/2018 | R2 100.00 daily rates. Rate reviewed to R3 000/day. | R4 716 897.38 (05/10/2012 to 30/06/2018)   | Yes                  | Contract still running satisfactorily   | Formatted | ... | [380] |
| 2011                            | Vacuum Tanking Services @ Sterkspruit                             | Mr. D. Lusawana            | Eagle Ukhozi Transport cc          | 36 Months | 01/09/2012 | 30/06/2016<br>Extended 30/09/2018 | R2 100.00 daily rates. Rate reviewed to R3 000/day. | R959 393.23 (05/10/2012 to 30/06/2018)     | Yes                  | Contract terminated to poor performance | Formatted | ... | [384] |
| 21/2011                         | Vacuum Tanking Services @ Jamestown                               | Mr. D. Lusawana            | Amadwala Trading 363 cc            | 36 Months | 01/09/2012 | 30/06/2016<br>Extended 30/09/2018 | R1 600.00 daily rates. Rate reviewed to R3 000/day. | R11 863 739.71 (21/09/2012 to 30/06/2018)  | Yes                  | Contract still running satisfactorily   | Formatted | ... | [386] |
| 2011                            | Vacuum Tanking Services @ Burgersdorp                             | Mr. D. Lusawana            | Algoa Plant Hire cc                | 36 Months | 01/09/2012 | 30/06/2016<br>Extended 30/09/2018 | R2 100.00 daily rates. Rate reviewed to R3 000/day. | R6 258 647.64 (27/09/2012 to 30/06/2018)   | Yes                  | Contract still running satisfactorily   | Formatted | ... | [387] |
| 2011                            | Vacuum Tanking Services @ Venterstad                              | Mr. D. Lusawana            | Non SoSo Construction cc           | 36 Months | 01/09/2012 | 30/06/2016<br>Extended 30/09/2018 | R2 050.00 daily rates. Rate reviewed to R3 000/day. | R9 330 700.53 (05/10/2012 to 30/06/2018)   | Yes                  | Contract still running satisfactorily   | Formatted | ... | [393] |
| 2011                            | Vacuum Tanking Services @ Steynsburg                              | Mr. D. Lusawana            | Ramalo Construction cc             | 36 Months | 01/09/2012 | 30/06/2016<br>Extended 30/09/2018 | R2 028.00 daily rates. Rate reviewed to R3 000/day. | R5 803 163.27 (04/10/2012 to 30/06/2018)   | Yes                  | Contract still running satisfactorily   | Formatted | ... | [395] |
| ngle Sourde                     | Implementation of the Rural Water and Sanitation Programme (RWSP) | Mr. R. Fortuin             | The Mvula Trust                    | 60 Months | 01/08/2016 | 31/07/2021                        | 12% of the total cost of the programme              | R167 508 405.71 (19/08/2016 to 30/06/2018) | N/A                  | Contract renewed                        | Formatted | ... | [396] |
|                                 |   |                            |                                    |           |            |                                   |   |  |                      | Contract still running satisfactorily   | Formatted | ... | [399] |
|                                 |   |                            |                                    |           |            |                                   |   |  |                      | Contract still running satisfactorily   | Formatted | ... | [401] |
|                                 |   |                            |                                    |           |            |                                   |   |  |                      | Contract still running satisfactorily   | Formatted | ... | [402] |
|                                 |   |                            |                                    |           |            |                                   |   |  |                      | Contract still running satisfactorily   | Formatted | ... | [400] |
|                                 |   |                            |                                    |           |            |                                   |   |  |                      | Contract still running satisfactorily   | Formatted | ... | [403] |



| ID NO         | DESCRIPTION OF SERVICE  | END-USER /PROJECT MANAGER | CONTRACTOR /SERVICE PROVIDER | DURATION  | START DATE | EXPIRY DATE                          | CONTRACT AMOUNT | PAYMENTS MADE TO DATE                     | EXTENSION /VARIATION | COMMENTS  |
|---------------|---|---------------------------|------------------------------|-----------|------------|--------------------------------------|-----------------|---|----------------------|---|
| 3DM2013/14-06 | Construction of Bulk Sanitation Infrastructure Upgrade for Maclear : Upgrading of Waste Water treatment works phase 3                 | Mr Z. Mduba               | Amadwala Trading 363 cc      | 15 Months | 01/05/2015 | 31/08/2016<br>Extended to 30/10/2018 | R23 806 967.96  | R13 428 172.41                            | N/A                  | Contract still running satisfactorily<br><b>Formatted: Space After: 3 pt</b><br><b>Formatted Table</b><br><b>Formatted: Font color: Text 1</b><br><b>Formatted: Space After: 3 pt</b>                                       |
| 3DM2013/14-08 | Provision of professional services for the design and construction supervision of Maclear water treatment and distribution upgrade    | Z. Mduba                  | GIBB (Pty) Ltd               | 36 Months | 01/05/2015 | 30/04/2018                           | R5 391 262.67   | R6 377 010.94                             | N/A                  | Contract running satisfactorily<br><b>Formatted: Space After: 3 pt</b><br><b>Formatted: Font color: Text 1</b><br><b>Formatted: Font: (Default) Arial</b>   |
| 3DM2013/14-18 | Appointment of professional service provider for Sterkspruit Regional Waste Water Treatment Plant and associated Bulk Infrastructure  | Mr. R. Fortuin            | Dibanani Consulting cc       | 48 Months | 23/07/2014 | 23/06/2018                           | R8 711 951.25   | R13 684 263.40 (28/11/2014 to 30/06/2018) | N/A                  | Contract still running satisfactorily<br><b>Formatted: Space After: 3 pt</b>  |
| 3DM2014/15-07 | Provision of Professional Services for Design and Construction Supervision of Maclear Bulk Sanitation Infrastructure Upgrade- Phase 4 | Z. Mduba                  | GIBB (Pty) Ltd               | 18 Months | 01/05/2015 | 30/12/2016<br>Extended TBA           | R1 797 922.15   | R12 568 533.98                            | Yes                  | Contract running satisfactorily<br><b>Formatted: Space After: 3 pt</b><br><b>Formatted Table</b><br><b>Formatted: Font: (Default) Arial</b><br><b>Formatted: Font color: Text 1</b><br><b>Formatted: Font color: Text 1</b> |

| <u>BID NO</u>   | <u>DESCRIPTION OF SERVICE</u>   | <u>END-USER / PROJECT MANAGER</u> | <u>CONTRACTOR / SERVICE PROVIDER</u>                    | <u>DURATION</u> | <u>START DATE</u> | <u>EXPIRY DATE</u>                   | <u>CONTRACT AMOUNT</u> | <u>PAYMENTS MADE TO DATE</u>              | <u>EXTENSION / VARIATION</u> | <u>COMMENTS</u>   | <u>Formatted: Space After: 3 pt</u><br><u>Formatted Table</u>   |
|-----------------|---|-----------------------------------|---|-----------------|-------------------|--------------------------------------|------------------------|---|------------------------------|---|---|
| JGDM2014/ 5-001 | Jamestown Bucket Eradication Phase 2: Stage 2 Pumpstations  | Z. Mduba                          | Amadwala Trading 363 cc                                 | 12 Months       | 01/06/2015        | 04/07/2016<br>Extended to 01/12/2017 | R18 510 767.40         | R11 621 116.97 (30/06/2015 to 30/06/2018) | N/A                          | Contract run satisfactorily Penalties currently being affected. | <u>Formatted: Space After: 3 pt</u><br><u>Formatted Table</u>   |
| JGDM2014/ 5-009 | Jamestown Bucket Eradication Phase 2: Stage 2, Pipeline Sewers  | Z. Mduba                          | Amadwala Trading 363 cc                                 | 12 Months       | 02/05/2017        | 07/12/2017                           | R12 020 082.82         | R4 669 479.81                             | N/A                          | Contract started due to court challenge.                        | <u>Formatted: Space After: 3 pt</u><br><u>Formatted: Font color: Text 1</u><br><u>Formatted: Font: (Default) Arial</u><br><u>Formatted: Space After: 3 pt</u> |
| Single Source   | Joe Gaabi Disaster relief 2014- STEYNSBURG  | Mr R. Fortuin                     | SBA/Sinakho Consulting JV                               | 36 Months       | 01/07/2015        | 30/06/2018                           | Rates basis            | R30 797 458.42 (12/10/2015 to 30/06/2018) | N/A                          | Contract run satisfactorily                                     | <u>Formatted: Space After: 3 pt</u>   |
| Single Source   | Joe Gaabi Disaster relief 2014- ALIWAL NORTH  | Mr R. Fortuin                     | Iskofu Property Development t/a SKC Engineers Maletswai | 36 Months       | 01/04/2017        | 30/06/2018                           | Rates basis            | R8 100 754.38 (12/10/2015 to 30/06/2018)  | N/A                          | Contract run satisfactorily                                     | <u>Formatted: Space After: 3 pt</u>   |
| Single Source   | Ladv Grev Bulk water project MG/EC0652  | Mr R. Fortuin                     | Sektor Consulting Engineers/UWP                         | 36 Months       | 01/07/2017        | 30/06/2018                           | Rates basis            | R38 220 009.13 (12/10/2015 to 30/06/2018) | N/A                          | Contract run satisfactorily                                     | <u>Formatted: Space After: 3 pt</u><br><u>Formatted Table</u><br><u>Formatted: Font color: Text 1</u>   |
| JGDM2015/ 6-001 | Provision of upscaling and extension of the Barkly East Bulk water Infrastructure to accommodate the new development of 298 houses in Barkly East | Mr R. Fortuin                     | Bosch Stemele (Pty) Ltd                                 | 11 Months       | 01/05/2016        | 30/04/2017<br>Extended to 30/06/2020 | R19 606 609.45         | R7 252 501.20                             | N/A                          | Contract run satisfactorily                                     | <u>Formatted: Space After: 3 pt</u><br><u>Formatted Table</u><br><u>Formatted: Font color: Text 1</u>   |

| BID NO          | DESCRIPTION OF SERVICE  | END-USER /PROJECT MANAGER | CONTRACTOR /SERVICE PROVIDER       | DURATION  | START DATE | EXPIRY DATE                          | CONTRACT AMOUNT | PAYMENTS MADE TO DATE                     | EXTENSION /VARIATION | COMMENTS                    | Formatted: Space After: 3 pt<br>Formatted Table  |
|-----------------|---|---------------------------|------------------------------------|-----------|------------|--------------------------------------|-----------------|---|----------------------|-----------------------------|--|
| JGDM2015/ 020   | Appointment of a service provider to undertake the water conservation and demand management implementing agent duties | Mr D. Luswana             | M/S Charted Accountants            | 36 Months | 01/10/2016 | 30/09/2019                           | Rates basis     | R24 978 460.67 (20/01/2017 to 30/06/2018) | N/A                  | Contract run satisfactorily | Formatted: Font: (Default) Arial<br>Formatted: Space After: 3 pt<br>Formatted: Font: (Default) Arial   |
| JGDM2015/ 010PT | Rehabilitation of Mechanical plant for the waste water treatment works and phola park pump station                    | R. Fortuin                | Lwazcon Earthworks & Plant Hire cc | 6 Months  | 01/04/2016 | 09/12/2016<br>Extended to 30/01/2018 | R2 924 879.68   | R472 561.77 (26/05/2016 to 30/06/2018)    | Yes<br>R197 557.00   | Project completed           | Formatted: Space After: 3 pt<br>Formatted: Font: (Default) Arial   |
| JGDM2015/ 016PT | Gariep Municipality- SteynsburgKoppie Water Supply  | R. Fortuin                | Batabile Construction Services     | 6 Months  | 11/10/2016 | 11/05/2017<br>Extended to 28/11/2017 | R7 935 323.40   | R4 249 880.32                             | Yes<br>R441 650.56   | Project completed           | Formatted: Space After: 3 pt<br>Formatted: Font: (Default) Arial   |
| JGDM2016/ 001PT | New Reservoirs and Ground water suppliers   | R. Fortuin                | RadeeCivils                        | 18 Months | 18/04/2018 | 18/10/2018                           | R35 815 345.59  | R11 501 023.87                            | N/A                  | Contract run satisfactorily | Formatted: Font: (Default) Arial<br>Formatted: Space After: 3 pt   |
| JGDM2016/ 002PT | Burgersdorp Plantation sump and Boreholes   | R. Fortuin                | DDX/ Mvezo Plant Hire              | 24 weeks  | 11/05/2017 | 11/11/2017<br>Extended to 30/06/2018 | R8 708 192.95   | R3 497 873.76                             | N/A                  | Contract run satisfactorily | Formatted: Font: (Default) Arial, 9 pt<br>Formatted: Font: (Default) Arial, 9 pt   |
| JGDM2016/ 003PT | Burgersdorp Water Treatment works – 6ML storage reservoir   | R. Fortuin                | DDX/ Mvezo Plant Hire              | 32 weeks  | 09/11/2017 | 11/11/2018                           | R26 667 014.80  | R7 644 350.05                             | N/A                  | Contract run satisfactorily | Formatted: Font: (Default) Arial, 9 pt<br>Formatted: Font: (Default) Arial, 9 pt<br>Formatted: Space After: 3 pt<br>Formatted: Space After: 3 pt<br>Formatted: Space After: 3 pt<br>Formatted: Font: (Default) Arial, 9 pt |



# Leases and maintenance contracts

| NO          | DESCRIPTION OF SERVICE  | END-USER/ PROJECT MANAGER | CONTRACTOR/ SERVICE PROVIDER        | DURATION  | START DATE | EXPIRY DATE  | CONTRACT AMOUNT                          | PAYMENTS MADE TO DATE                       | EXTENSION / VARIATION   | COMMENTS  |
|-------------|---|---------------------------|-------------------------------------|-----------|------------|--|--|---|---|---|
| 2009        | Financial System Support Agreement                                | Ms S. Du Toit             | Bytes Systems Integration (Pty) Ltd | 14 Months | 01/09/2014 | 26/07/2017<br>Extended to 31/12/2018<br>(Maintenance contract – ongoing) | R281 880.00                              | R1 858 583.19<br>(21/04/2015 to 30/06/2018) | N/A   | Contract running satisfactorily.                |
| 2010        | Supply, Delivery & Maintenance of Printers                        | Mr. L. Gush               | NRG Office Solution /a Gestetner    | 36 Months | 01/07/2010 | Month basis  | R845 665.00                              | R3 433 347.57<br>(08/09/2010 to 30/06/2018) | N/A   | Contract running satisfactorily.                |
| Idle source | Escalator Maintenance   | Mr. S. Schanick           | Otis                                | 60 Months | 01/06/2011 | 31/05/2016<br>Extended to 31/05/2021                                     | R2 043.29<br>with escalations every year | R285 167.51<br>(08/08/2011 to 30/06/2018)   | Renewed for a 5 year period.  | Satisfactory maintenance regularly performed.   |
| Idle source | Alarm System  | Mr. S. Schanick           | Guardian Security                   | 12 Months | 01/07/2013 | Ongoing  | R289.99 per building                     | R114 555.70<br>(31/2/2010 to 30/06/2018)    | Yes<br>Ongoing  | Contract running satisfactorily.                |
| Idle source | Payroll Administrator   | Ms T. Ngqongwana          | Payday Software System (Pty) Ltd    | 24 Months | 01/08/2011 | 31/07/2013<br>extended to 30/06/2018                                     | Rate based                               | R1 858 606.92<br>(01/08/2011 to 30/06/2018) | Yes   | Contract running satisfactorily.                |
| Idle source | Lease of offices and a strong room @ MPCC Building in Sterkspruit | Ms. L.A. Matvesini        | Sendu Municipality                  | 12 Months | 01/04/2011 | 31/03/2014<br>Extended to 31/03/2016 to 31/03/2019                       | R3 003.00 with escalations yearly        | R52 723.00<br>(29/06/2011 to 30/06/2018)    | Yes<br>Renewed (01/04/2012 to 31/03/2014)<br>extended to 31/03/2019 | Contract has been extended to end on 31/03/2019 |

|                |  |                       |  |           |            |   |   |  |         |   |                              |
|----------------|--|-----------------------|--|-----------|------------|---|---|--|---------|---|------------------------------|
| ingle<br>ource | Office<br>Accommodation  | Ms. L.A.<br>Matvesini | Christian Life<br>Centre                     | 24 Months | 01/04/2012 | 31/03/2014<br>Extended to<br>31/03/2020 | Rate based<br>plus L & W<br>(Inc yearly<br>escalations) | R3 737 067.94<br>(01/04/2012 to<br>30/06/2018) | Yes     | Agreement<br>has been<br>extended for<br>a period of two<br>years and still<br>running<br>satisfactory.   | Formatted: Space After: 3 pt |
| 35/2011        | Office<br>Accommodation<br>(Office in Ugie)  | Ms. L.A.<br>Matvesini | Francis Kotze                                | 36 Months | 01/04/2012 | 31/03/2014<br>Extended to<br>31/03/2019 | R8 500.00   | R622 098.16<br>(01/07/2012 to<br>30/06/2018)   | Yes     | Agreement<br>running<br>satisfactory  | Formatted: Space After: 3 pt |
| ingle<br>ource | Rental of photo<br>copy machine<br>for working for<br>water.   | Ms N. Kilishe         | Nashua East<br>London                        | 60 Months | 01/05/2013 | Month basis                             | R750.00/month   | R177 204.65<br>(28/09/2010 to<br>30/06/2018)   | Renewed | Contract<br>been renewed<br>for five (5)<br>years from<br>01/05/2013 to<br>31/04/2018<br>and still<br>running<br>satisfactory.  | Formatted: Space After: 3 pt |
| ingle<br>ource | Supply,<br>Installation and<br>Monitoring of the<br>AltechNetstar<br>tracking unit on<br>Mavor's official<br>vehicle | Mr. S.<br>Scharnick   | AltechNetstar<br>Fleet Solution<br>(Pty) Ltd | 36 Months | 01/07/2013 | Ongoing                                 | R17 408.94  | R433 326.75                                    | N/A     | Unit aired<br>supplied and<br>installed into<br>the vehicle.<br>Performance<br>is satisfactory.<br>Additional<br>Units were<br>provided for<br>additional<br>vehicles<br>purchased. | Formatted: Space After: 3 pt |
| ingle<br>ource | Lease of Office<br>for the Billing<br>office in Maclear  | Mr. S.<br>Scharnick   | Salabora<br>Enterprise<br>Protects           | 36 Months | 01/11/2015 | 31/10/2018                              | R5 700.00pm   | R186 226.95<br>(03/11/2015-<br>30/06/2018)     | N/A     | Contract<br>running<br>satisfactory   | Formatted: Space After: 3 pt |



|               |  |                  |                              |           |            |  |             |  |     |                               |                              |
|---------------|--|------------------|------------------------------|-----------|------------|--|-------------|--|-----|-------------------------------|------------------------------|
| single source | Lease of Office for the Billing office in Alwal North      | Mr. S. Scharnick | Mariata Der Walt Trust       | 36 Months | 01/07/2014 | 30/06/2017<br>Extended till 31/07/2018 | R7 200.00pm | R401 588.68 (21/01/2015-30/06/2018)    | N/A | Contract running satisfactory | Formatted: Space After: 3 pt |
| single source | Lease of Office for the Billing office in Lady Grey        | Mr. S. Scharnick | PS2053 Investment cc         | 36 Months | 01/07/2014 | 30/06/2017<br>Extended till 30/06/2020 | R13 860 pm  | R627 912.00 (07/12/2017 to 30/06/2018) | N/A | Contract running satisfactory | Formatted: Space After: 3 pt |
| single source | Lease office for Cashiers in Maletswai Local Municipality  | Mr. S. Scharnick | Maletswai Local Municipality | 36 Months | 01/04/2016 | 31/03/2019                             | R300.00pm   | 0                                      | N/A | Order not placed yet          | Formatted: Space After: 3 pt |
| single source | Lease officer Cashiers office in Senqu Municipality        | Mr. S. Scharnick | Senqu Local Municipality     | 36 Months | 01/04/2016 | 31/03/2019                             | R3 700.00pm | R57 817.00 (16/11/2016 to 30/06/2018)  | N/A | Contract running satisfactory | Formatted: Space After: 3 pt |
| single source | Lease Office for Cashiers office Gariep Local Municipality | Mr. S. Scharnick | Gariep Local Municipality    | 36 Months | 01/04/2016 | 31/03/2019                             | R3 500.00pm | 0                                      | N/A | Order not placed yet          | Formatted: Space After: 3 pt |

# **Volume 2:**

# **Annual Financial Statements**



**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2018**

# JOE GQABI DISTRICT MUNICIPALITY

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## JOE GQABI DISTRICT MUNICIPALITY

### GENERAL INFORMATION

#### NATURE OF BUSINESS

Joe Gqabi District Municipality is a district municipality performing the functions as set out in the Constitution. (Act No. 108 of 1996)

#### COUNTRY OF ORIGIN AND LEGAL FORM

South African Category C Municipality (District Municipality) as defined by the Municipal Structures Act. (No. 117 of 1998)

#### JURISDICTION

The Joe Gqabi District Municipality includes the following areas:

Walter Sisulu Local Municipality (Bergensdorp, Venterstad, Steynsburg, Allwal North and Jamestown)  
Senqu Local Municipality (Lady Grey, Sterkspruit, Rhodes, Rossouw, Herschel and Barkly East)  
Elundini Local Municipality (Maclear, Ugie and Mount Fletcher)

#### MEMBERS OF THE MAYORAL COMMITTEE AS FROM 3RD AUGUST 2016 ELECTIONS

|                 |              |                                    |
|-----------------|--------------|------------------------------------|
| Executive Mayor | Z I Dumzela  |                                    |
| Speaker         | Y Z Ntseke   |                                    |
| Councillor      | E M Lakabane | Portfolio head: Financial Services |
| Councillor      | S Mbi        | Portfolio head: Technical Services |
| Councillor      | L M Tokwe    | Portfolio head: Corporate Services |
| Councillor      | D D Mvumvu   | Portfolio head: Community Services |

#### MUNICIPAL MANAGER

Mr Z A Williams

#### ACTING CHIEF FINANCIAL OFFICER

Ms S du Toit

#### OTHER DIRECTORS AND SENIOR MANAGERS DIRECTLY REPORTING TO THE ACCOUNTING OFFICER

|                |   |
|----------------|---|
| Mr R J Fortuin | - Director: Technical Services                    |
| Ms F J Sephton | - Director: Community Services                    |
| Mr H Z Jantjie | - Director: Corporate Services                    |
| Mr M Nonjola   | - Director: Institutional support and advancement |
| Ms N Mshumi    | - Chief Operations Officer                        |
| Mr Diluswana   | - Manager Water Service provider                  |

#### REGISTERED OFFICE

|                                   |   |
|-----------------------------------|---|
| P/Bag X102<br>Barkly East<br>9786 | C/o Cole and Graham Street<br>Barkly East<br>9786 |
|-----------------------------------|---|



## JOE GQABI DISTRICT MUNICIPALITY

### GENERAL INFORMATION

#### AUDITORS

Office of the Auditor General (EC)  
Vincent  
East London

#### ATTORNEYS

Clark Laing Inc  
East London  
5241

#### PRINCIPAL BANKERS

ABSA  
P.O. Box 323  
Bloemfontein  
9300

#### AUDIT COMMITTEE

|                  |               |
|------------------|---------------|
| J Enslie         | - Chairperson |
| F K. P. Ntlemaza | - Member      |
| P Ntswana        | - Member      |

#### RELEVANT LEGISLATION

Municipal Finance Management Act (Act no 56 of 2003)  
Division of Revenue Act  
The Income Tax Act  
Value Added Tax Act  
Municipal Structures Act (Act no 117 of 1998)  
Municipal Systems Act (Act no 32 of 2000)  
Municipal Planning and Performance Management Regulations  
Water Services Act (Act no 108 of 1997)  
Housing Act (Act no 107 of 1997)  
Municipal Property Rates Act (Act no 6 of 2004)  
Electricity Act (Act no 41 of 1987)  
Skills Development Levies Act (Act no 9 of 1999)  
Employment Equity Act (Act no 55 of 1998)  
Unemployment Insurance Act (Act no 30 of 1996)  
Basic Conditions of Employment Act (Act no 75 of 1997)  
Supply Chain Management Regulations, 2005  
Labour Relation Amendment Act (Act 6 of 2014)  
Collective Agreements  
Infrastructure Grants  
SALBC Leave Regulations  
Municipal Budget and Reporting Regulations  
Municipal Regulation on Standard Chart of Accounts (mSCOA)  
Disaster Management Act 57 of 2002  
Fire Brigade Services Act 99 of 1987  
Foodstuffs, Cosmetics and Disinfectants Act 54 of 1972  
National Veld and Forest Fire Act 101 of 1998  
National Water Act 36 of 1998  
National Health Act of 1997  
Occupational Health and Safety Act and Regulation 85 of 1993

## JOE GQABI DISTRICT MUNICIPALITY

### GENERAL INFORMATION

#### MEMBERS OF THE JOE GQABI DISTRICT MUNICIPALITY COUNCIL

##### PROPORTIONAL ELECTED COUNCILLORS

|                   |  |
|-------------------|--|
| Executive Mayor   | Z I Dumzela  |
| Speaker           | T Z Ntseke   |
| Councillors: JGDM | EM Lakabane<br>D Muvumvu<br>S Mei<br>L Tolwe<br>NU Hlatuka<br>N Ngendane<br>AM van Zyl<br>M Yiliwe |

##### REPRESENTATIVE COUNCILLORS

|                                  |   |
|----------------------------------|---|
| Senqu Local Municipality         | AP Kwinana<br>M Phuzi<br>NP Mposehwa<br>VV Stokhwe<br>XG Mpagai<br>NM Phamo |
| Eiundini Local Municipality      | B Msuthwana<br>M Telle<br>M Marubela<br>L Booka<br>L Pili<br>N Ntaopane     |
| Walter Sisulu Local Municipality | B Khweyiya<br>KS Lange<br>DF Hartkopf                                       |

JOE GQABI DISTRICT MUNICIPALITY  
APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements period ended 30 June 2018, which are set out on pages 1 to 106 in terms of Section 126 (1) of the Municipal Finance Management Act (No. 56 of 2003) and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with GRAP.

I acknowledge that I am ultimately responsible for the system of internal financial control and that the system of internal control provides reasonable assurance that the financial records can be relied on.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2019 and I am satisfied that the Municipality can continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Mr Z A Williams  
Municipal Manager

31 August 2018

Date

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

|  | Note | 2018<br>R            | 2017<br>R            |
|--|------|----------------------|----------------------|
| <b>ASSETS</b>                                      |      |                      |                      |
| Current assets                                     |      | 15 295 278           | 5 084 974            |
| Inventory  | 2    | 2 640 698            | 2 900 069            |
| Cash and Cash Equivalents                          | 3    | 12 654 580           | 2 184 906            |
| Current assets from exchange transactions          |      | 163 117 758          | 149 976 895          |
| Receivables from exchange transactions             | 4    | 154 075 734          | 117 290 465          |
| South African Revenue Services                     | 5    | 9 042 025            | 32 686 430           |
| Current assets from non-exchange transactions      |      | 14 395 662           | 22 163 551           |
| Unpaid conditional government grants and receipts  | 6    | 14 395 662           | 22 163 551           |
| Non-current assets                                 |      | 1 687 526 349        | 1 613 407 446        |
| Property, plant and equipment                      | 7    | 1 681 063 170        | 1 606 544 571        |
| Investment property                                | 8    | 2 438 848            | 2 484 344            |
| Intangible assets                                  | 9    | 452 823              | 901 023              |
| Non-current investments                            | 10   | 9 571 508            | 9 477 508            |
| <b>Total assets</b>                                |      | <b>1 880 335 048</b> | <b>1 790 632 866</b> |
| Current liabilities                                |      | 30 858 606           | 30 609 586           |
| Current employee benefits                          | 12   | 30 858 606           | 24 936 889           |
| Cash and Cash Equivalents                          | 3    | -                    | 5 672 687            |
| Current lease liability                            | 6.2  | -                    | -                    |
| Current liabilities from exchange transactions     |      | 111 292 740          | 110 326 993          |
| Consumer deposits                                  | 13   | 957 847              | 934 526              |
| Payables from exchange transactions                | 14   | 108 750 019          | 103 445 113          |
| South African Revenue Services                     | 5    | -                    | -                    |
| Current portion of long-term liabilities           | 15   | 1 584 875            | 5 947 344            |
| Current liabilities from non-exchange transactions |      | 2 776 738            | 4 928 428            |
| Unspent conditional government grants and receipts | 6    | 2 776 738            | 4 928 428            |
| Non-current liabilities from Exchange Transactions |      | 7 506 318            | 6 667 005            |
| Long-term Liabilities                              | 15   | 7 506 318            | 6 667 005            |
| Non-current liabilities                            |      | 34 276 280           | 34 706 207           |
| Employee benefits                                  | 11   | 34 276 280           | 34 706 207           |
| <b>Total Liabilities</b>                           |      | <b>186 710 683</b>   | <b>187 238 219</b>   |
| <b>NET ASSETS</b>                                  |      | <b>1 693 624 365</b> | <b>1 603 394 646</b> |
| <b>COMMUNITY WEALTH</b>                            |      |                      |                      |
| Accumulated Surplus                                | 16   | 1 693 624 366        | 1 603 394 646        |

**JOE GOABI DISTRICT MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2018**

|   | Note | 2018<br>R          | 2017 - Restated<br>R | 2017 - Correction<br>R | 2017 - Audited<br>R |
|---|------|--------------------|----------------------|------------------------|---------------------|
| <b>REVENUE</b>                                    |      |                    |                      |                        |                     |
| <b>Revenue from non-exchange transactions</b>     |      | 544 742 169        | 572 194 488          | (2 541 987)            | (99 052 761)        |
| Transfer revenue                                  |      | 587 243 558        | 565 055 325          | (2 541 987)            | 368 111 799         |
| Government grants and subsidies - capital         | 17   | 132 025 780        | 250 801 990          | (2 595 825)            | 248 207 165         |
| Government grants and subsidies - operational     | 17   | 404 507 830        | 314 816 479          | -                      | 814 616 629         |
| Public contributions and donations                | 18   | -                  | 36 761               | (36 761)               | -                   |
| Transfer of function                              |      | -                  | -                    | -                      | -                   |
| <b>Other revenue</b>                              |      | 7 509 611          | 6 539 183            | -                      | 6 539 183           |
| Foreign exchange gains                            |      | -                  | -                    | -                      | -                   |
| Interest gains                                    | 19   | 7 509 611          | 6 494 957            | -                      | 6 494 257           |
| Inventory adjustments                             | 2    | -                  | 44 145               | -                      | 44 145              |
| Reversal of impairments                           | 30   | -                  | -                    | -                      | -                   |
| <b>Revenue from exchange transactions</b>         |      | 110 059 089        | 139 656 010          | (12 207)               | (90 147 732)        |
| Service charges                                   | 21   | 77 137 050         | 91 071 095           | -                      | 91 071 095          |
| Economic services                                 | 22   | 5 053 194          | 50 085 896           | -                      | 50 085 896          |
| Interest earned - external investments            | 23   | 4 500 844          | 5 309 457            | -                      | 5 309 457           |
| Interest earned - outstanding debtors             | 24   | 23 124 400         | 34 092 370           | -                      | 34 092 370          |
| Other income                                      | 25   | 1 714 020          | 981 282              | (12 207)               | 968 975             |
| <b>Total Revenue</b>                              |      | <b>655 097 278</b> | <b>762 354 427</b>   | <b>(2 553 794)</b>     | <b>619 950 633</b>  |
| <b>EXPENDITURE</b>                                |      |                    |                      |                        |                     |
| Employee related costs                            | 26   | 216 133 488        | 286 858 916          | -                      | 286 858 916         |
| Remuneration of Councilors                        | 27   | 5 953 330          | 5 391 837            | -                      | 5 391 837           |
| Debt expenditure                                  | 28   | 63 980 050         | 87 416 467           | -                      | 87 416 467          |
| Impairments                                       | 29   | -                  | -                    | -                      | -                   |
| Foreign exchange loss                             |      | -                  | -                    | -                      | -                   |
| Depreciation and amortisation                     | 30   | 49 156 584         | 48 181 629           | 204 325                | 48 385 950          |
| Repairs and maintenance                           | 31   | 6 975 583          | 13 813 116           | 43 583                 | 13 856 700          |
| Dividend charges                                  | 32   | 5 645 488          | 5 916 126            | -                      | 5 916 126           |
| Contractual services                              | 33   | 14 872 932         | 14 441 985           | -                      | 14 441 985          |
| Rents and leases                                  | 34   | 4 404 788          | 4 519 190            | -                      | 4 519 190           |
| Grants and subsidies paid                         | 35   | 5 495 130          | 7 070 344            | (509 741)              | 7 569 600           |
| Inventory adjustments                             | 2    | 70 755             | -                    | -                      | -                   |
| Operating grant expenditure                       | 36   | 174 930 262        | 94 074 779           | (22 446 557)           | 11 603 412          |
| Emergency drought relief                          | 37   | 1 094 634          | 321 930              | -                      | 321 930             |
| General Expenditure                               | 38   | 98 060 093         | 94 866 599           | 321 360                | 94 067 049          |
| Loss on disposal of Property, plant and equipment | 39   | 1 442 285          | 575 578              | -                      | 575 578             |
| <b>Total Expenditure</b>                          |      | <b>565 267 535</b> | <b>502 171 278</b>   | <b>(22 476 587)</b>    | <b>479 694 591</b>  |
| <b>SURPLUS/(DEFICIT) FOR THE YEAR</b>             |      | <b>(9) 228 743</b> | <b>260 183 149</b>   | <b>(29 922 681)</b>    | <b>140 256 043</b>  |



JOE GQABI DISTRICT MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

|  | 2018<br>R           |
|--|---------------------|
|  | Accumulated Surplus |
| Balance at 1 July 2016                 | 1 450 512 930       |
| Correction of error restatement - note | (47 301 456)        |
| Restated balance at 1 July 2016        | 1 403 211 474       |
| Net Surplus/(Deficit) for the year     | 250 883 149         |
| Balance at 30 June 2017                | 1 603 394 623       |
| Net Surplus/(Deficit) for the year     | 90 229 743          |
| Balance at 30 June 2018                | 1 693 624 366       |

**JOE GQABI DISTRICT MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2018**

|  | Note | 2018<br>R            | 2017<br>R            |
|--|------|----------------------|----------------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |      |                      |                      |
| Receipts   |      | 578 624 910          | 628 060 089          |
| Service charges and other                              |      | 85 785 297           | 50 924 623           |
| Government grants                                      |      | 542 839 613          | 577 135 466          |
| Payments   |      | (459 521 904)        | (397 165 886)        |
| Suppliers  |      | (236 214 946)        | (202 294 884)        |
| Employees  |      | (223 307 146)        | (194 901 002)        |
| Cash generated from/(utilised in) operations           |      | 119 102 916          | 230 894 202          |
| Interest received                                      |      | 26 745 244           | 3 309 457            |
| Interest paid  |      | (1 115 331)          | (5 916 126)          |
| Net cash from operating activities                     | 41   | <u>144 734 830</u>   | <u>228 257 533</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |      |                      |                      |
| Purchase of Capital Assets                             |      | (125 091 318)        | (230 856 982)        |
| (Increase)/decrease of other assets                    |      | -                    | -                    |
| Net cash from investing activities                     |      | <u>(125 091 318)</u> | <u>(230 856 982)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |      |                      |                      |
| Increase in consumer deposits                          |      | 23 311               | 44 281               |
| Proceeds/(repayment) of finance lease liability        |      | (2 105 135)          | (1 272 595)          |
| Proceeds/(repayment) of other long-term liabilities    |      | (1 415 326)          | (2 081 565)          |
| Total Expenditure                                      |      | <u>(3 501 150)</u>   | <u>(3 309 878)</u>   |
| Net increase/(decrease) in cash and cash equivalents   |      | <u>16 142 362</u>    | <u>(5 909 327)</u>   |
| Cash and cash equivalents at the beginning of the year | 3    | 13 487 782           | 19 421 545           |
| Cash and cash equivalents at the end of the year       |      | <u>22 630 144</u>    | <u>13 512 218</u>    |

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

| COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET | 2018<br>R<br>(Actual) | 2018<br>R<br>(Final Budget) | 2018<br>R<br>(Variance) | Explanations for material variances (20% of line-item)       |
|--|-----------------------|-----------------------------|-------------------------|--|
| <b>ASSETS</b>                                |                       |                             |                         |  |
| <b>Current assets</b>                        |                       |                             |                         |  |
| Cash   | 12 854 580            | 2 579 460                   | 10 275 120              | 393% Due to unspent grants at year end                       |
| Call investment deposits                     | -                     | 529 590                     | (529 590)               | -100% Classified under the cash item                         |
| Consumer debtors                             | 147 376 945           | 105 990 975                 | 41 385 970              | 59% Anticipated improvement on debtors                       |
| Other Receivable                             | 80 157 075            | 51 275 063                  | 28 882 012              | -4% Increase in VAT Receivable                               |
| Inventory                                    | 2 640 608             | 5 177 840                   | (537 142)               | -17% More inventory utilised than anticipated                |
| <b>Total current assets</b>                  | <b>192 808 699</b>    | <b>143 652 928</b>          | <b>49 155 771</b>       |  |
| <b>Non current assets</b>                    |                       |                             |                         |  |
| Investments                                  | 5 571 505             | 3 805 021                   | 1 766 484               | 8% Immaterial  |
| Investment property                          | 2 428 848             | 2 535 755                   | (106 907)               | -4% Immaterial   |
| Property, plant and equipment                | 1 685 053 170         | 1 664 840 374               | 20 212 796              | 1% Immaterial  |
| Intangible Assets                            | 452 822               | 234 014                     | 218 808                 | 94% Amortisation was lesser than anticipated                 |
| <b>Total non current assets</b>              | <b>1 687 528 349</b>  | <b>1 670 915 324</b>        | <b>16 613 025</b>       |  |
| <b>TOTAL ASSETS</b>                          | <b>1 880 335 048</b>  | <b>1 914 568 252</b>        | <b>65 768 795</b>       |  |
| <b>LIABILITIES</b>                           |                       |                             |                         |  |
| <b>Current liabilities</b>                   |                       |                             |                         |  |
| Borrowing                                    | 1 584 875             | 2 684 042                   | (1 099 167)             | -41% Effect of fluctuations in interest rate                 |
| Consumer deposits                            | 957 847               | 900 255                     | 57 592                  | 8% More consumer deposits received than budgeted for         |
| Trade and other payable                      | 111 526 757           | 31 640 756                  | 79 886 001              | 252% Effect of Unspent Grants                                |
| Provisions and Employee Benefits             | 30 855 606            | 22 908 255                  | 7 947 351               | 35% Decrease in Employee Benefits resulting from vacant post |
| <b>Total current liabilities</b>             | <b>144 925 084</b>    | <b>58 124 308</b>           | <b>86 800 776</b>       |  |
| <b>Non current liabilities</b>               |                       |                             |                         |  |
| Borrowing                                    | 7 509 318             | 11 552 391                  | (4 043 073)             | -25% Effect of fluctuations in interest rate                 |
| Provisions and Employee Benefits             | 34 275 280            | 50 246 214                  | (24 959 934)            | -42% Effect of Actuarial Gain as per Arch calculations       |
| <b>Total non current liabilities</b>         | <b>41 782 598</b>     | <b>70 798 605</b>           | <b>(29 013 967)</b>     |  |
| <b>TOTAL LIABILITIES</b>                     | <b>186 710 683</b>    | <b>129 922 913</b>          | <b>57 787 870</b>       |  |
| <b>NET ASSETS</b>                            | <b>1 693 624 365</b>  | <b>1 685 645 339</b>        | <b>7 980 926</b>        |  |
| <b>COMMUNITY WEALTH</b>                      |                       |                             |                         |  |
| Accumulated Surplus                          | 1 693 624 365         | 1 685 645 339               | 7 980 926               | 0% Appropriation to and from Reserves                        |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b>         | <b>1 693 624 365</b>  | <b>1 685 645 339</b>        | <b>7 980 926</b>        |  |

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2018**

| ADJUSTMENTS TO APPROVED BUDGET       | 2018<br>R<br>(Approved Budget) | 2018<br>R<br>(Adjustments) | 2018<br>R<br>(Final Budget) |    | Explanation for material variances (20% of line item with a minimum of R1m) |
|--------------------------------------|--------------------------------|----------------------------|-----------------------------|----|---|
| <b>ASSETS</b>                        |                                |                            |                             |    |   |
| Current assets                       |                                |                            |                             |    |   |
| Cash                                 | 1 579 499                      | -                          | 1 579 499                   | 0% | No Adjustment   |
| Debt investment deposits             | 628 580                        | -                          | 628 580                     | 0% | No Adjustment   |
| Contractual deposits                 | 305 990 975                    | -                          | 305 990 975                 | 0% | No Adjustment   |
| Other Receivables                    | 31 275 863                     | -                          | 31 275 863                  | 0% | No Adjustment   |
| Inventory                            | 1 277 840                      | -                          | 1 277 840                   | 0% | No Adjustment   |
| <b>Total current assets</b>          | <b>343 852 957</b>             | <b>-</b>                   | <b>343 852 957</b>          |    |   |
| Non current assets                   |                                |                            |                             |    |   |
| Investments                          | 2 305 080                      | -                          | 2 305 080                   | 0% | No Adjustment   |
| Intangible property                  | 2 523 758                      | -                          | 2 523 758                   | 0% | No Adjustment   |
| Property, plant and equipment        | 1 664 901 474                  | -                          | 1 664 901 474               | 0% | No Adjustment   |
| Intangible Assets                    | 224 034                        | -                          | 224 034                     | 0% | No Adjustment   |
| <b>Total non current assets</b>      | <b>3 670 913 924</b>           | <b>-</b>                   | <b>3 670 913 924</b>        |    |   |
| <b>TOTAL ASSETS</b>                  | <b>3 914 766 882</b>           | <b>-</b>                   | <b>3 914 766 882</b>        |    |   |
| <b>LIABILITIES</b>                   |                                |                            |                             |    |   |
| Current liabilities                  |                                |                            |                             |    |   |
| Borrowing                            | 2 694 042                      | -                          | 2 694 042                   | 0% | No Adjustment   |
| Contractual deposits                 | 300 155                        | -                          | 300 155                     | 0% | No Adjustment   |
| Trade and other payables             | 31 640 758                     | -                          | 31 640 758                  | 0% | No Adjustment   |
| Provisions                           | 22 806 155                     | -                          | 22 806 155                  | 0% | No Adjustment   |
| <b>Total current liabilities</b>     | <b>57 124 900</b>              | <b>-</b>                   | <b>57 124 900</b>           |    |   |
| Non current liabilities              |                                |                            |                             |    |   |
| Borrowing                            | 11 052 191                     | -                          | 11 052 191                  | 0% | No Adjustment   |
| Provisions and Employee benefits     | 59 240 214                     | -                          | 59 240 214                  | 0% | No Adjustment   |
| <b>Total non current liabilities</b> | <b>70 292 405</b>              | <b>-</b>                   | <b>70 292 405</b>           |    |   |
| <b>TOTAL LIABILITIES</b>             | <b>127 417 305</b>             | <b>-</b>                   | <b>127 417 305</b>          |    |   |
| <b>NET ASSETS</b>                    | <b>3 687 349 577</b>           | <b>-</b>                   | <b>3 687 349 577</b>        |    |   |
| <b>COMMUNITY WEALTH</b>              |                                |                            |                             |    |   |
| Accumulated Surplus                  | 1 685 643 429                  | -                          | 1 685 643 429               | 0% | No Adjustment   |
| Reserves                             | -                              | -                          | -                           | 0% | No Adjustment   |
| <b>TOTAL COMMUNITY WEALTH/EQUITY</b> | <b>1 685 643 429</b>           | <b>-</b>                   | <b>1 685 643 429</b>        |    |   |

# JOE GQABI MUNICIPALITY

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018

#### COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET

|   | 2018<br>R<br>(Actual) | 2018<br>R<br>(Final Budget) | 2018<br>R<br>(Variance) | Explanations for material variances (10% of line-item with a maximum of R2m) |
|---|-----------------------|-----------------------------|-------------------------|--|
| <b>REVENUE BY SOURCE</b>                        |                       |                             |                         |  |
| Service charges                                 | 77 137 059            | 103 421 057                 | (26 284 002)            | -26% Increased efficiency of electricity reticulation and wastewater         |
| Rentals of facilities and equipment             |                       | 9 000                       | (9 000)                 | -100% New Operating lease contracts signed                                   |
| Interest earned - external investments          | 4 520 844             | 4 000 000                   | 500 844                 | 13% Improved Budgetary control and realisation of excess fund                |
| Interest earned - outstanding debtors           | 32 124 409            | 26 000 000                  | 6 472 409               | 25% Decrease in Customer Debtors   |
| Agency services                                 |                       | 892 000                     | (892 000)               | -100% Reconciliation of line items in budget                                 |
| Transfer-in Subsidies - Operating               | 481 687 000           | 285 000 000                 | 19 370 410              | 5% Increased PRU activities due to increased number of projects              |
| Other revenue                                   | 14 216 925            | 500 000                     | 13 676 246              | 2335% Gain on Fair Value Adjustments of investment Property                  |
| <b>TOTAL OPERATING REVENUE</b>                  | <b>522 751 330</b>    | <b>595 332 057</b>          | <b>(72 571 304)</b>     |  |
| <b>EXPENDITURE BY TYPE</b>                      |                       |                             |                         |  |
| Employee remuneration                           | 230 123 485           | 71 850 493                  | 158 273 094             | 355% Overrun linked to repairs and maintenance cost                          |
| Renewal/repair of plant/machinery               | 5 453 252             | 17 510 764                  | (16 056 421)            | -53% Reduction in increase in repair items by end of budget period           |
| Other expenditure                               | 71 591 005            | 4 500 000                   | 26 054 419              | 665% Increase in Clearance Debtors   |
| Depreciation & asset impairment                 | 41 130 309            | 10 000 000                  | 31 130 309              | 156% Effect of capital budget not fully applied                              |
| Finance charges                                 | 5 540 466             | 2 749 011                   | 2 791 455               | 104% Unforeseen result of asset impairment                                   |
| Gift purchases                                  | 2 458 788             | 33 100 000                  | (30 641 212)            | -87% Reassignment of gift inventory (being from water affairs)               |
| Contracted services                             | 14 913 032            | 24 000 000                  | (9 086 968)             | -30% Classification between contracted services and other expenditure        |
| Other expenditure                               | 342 553 710           | 28 070 000                  | 314 483 710             | 524% Classification between contracted services and other expenditure        |
| <b>TOTAL OPERATING EXPENDITURE</b>              | <b>565 187 515</b>    | <b>209 598 776</b>          | <b>355 588 739</b>      | 3130%  |
| <b>OPERATING SURPLUS/(DEFICIT) FOR THE YEAR</b> | <b>(42 436 006)</b>   | <b>385 733 057</b>          | <b>(428 140 063)</b>    |  |
| Transfer-in and Subsidies - Capital             | 149 835 748           | 36 700 000                  | 113 135 748             | 157%   |
| <b>NET SURPLUS FOR THE YEAR</b>                 | <b>107 400 742</b>    | <b>422 433 057</b>          | <b>(315 032 314)</b>    |  |



**JOE GQABI MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDING 30 JUNE 2018**

| ADJUSTMENTS TO APPROVED BUDGET            |                    |                     |                    |  |
|---|--------------------|---------------------|--------------------|--|
|   | 2018<br>R          | 2017<br>R           | 2018<br>R          |  |
|   | (Approved Budget)  | (Adjustments)       | (Final Budget)     | Explanations for material variances (10% or less)  |
| <b>REVENUE BY SOURCE</b>                  |                    |                     |                    |  |
| Service charges                           | 182 421 857        | 000                 | 182 421 857        | 0% No adjustment   |
| Rentals of facilities and equipment       | 0 000              | -                   | 0 000              | 0% No adjustment   |
| Interest earned - external investments    | 4 030 000          | -                   | 4 030 000          | 0% No adjustment   |
| Interest earned - outstanding duobus      | 20 652 908         | 00                  | 20 652 908         | 0% No adjustment   |
| Agency services                           | 992 000            | -                   | 992 000            | 0% No adjustment   |
| Revenue from Grants and Subsidies -       |                    |                     |                    |  |
| Operating                                 | 582 482 307        | (5 847 937)         | 582 434 370        | -1% Reallocation of grants   |
| Other revenue                             | 502 576            | -                   | 502 577            | 0% No adjustment   |
| <b>TOTAL OPERATING REVENUE</b>            | <b>801 280 573</b> | <b>(5 847 937)</b>  | <b>795 432 634</b> |  |
| <b>EXPENDITURE BY TYPE</b>                |                    |                     |                    |  |
| Employee related costs                    | 192 583 004        | (589 591)           | 191 993 413        | -1% Decreased as a result of a cost saving based on the actual for the first six months  |
| Remuneration of councillors               | 5 972 400          | 000                 | 5 972 400          | 0% No adjustment   |
| Debt interest                             | 75 000 000         | (10 100)            | 74 989 900         | -0% Decreased as a result of a cost saving based on the actual for the first six months  |
| Depreciation & asset impairment           | 86 671 942         | 558 915             | 87 230 857         | 1% Increased as a result of a cost saving based on the actual for the first six months   |
| Finance charges                           | 1 000 000          | 1 000 000           | 2 000 000          | 200% Increased as a result of a cost saving based on the actual for the first six months |
| Plant purchases                           | 9 000 000          | 85 000              | 9 085 000          | 1% Increased as a result of a cost saving based on the actual for the first six months   |
| Contract services                         | 145 654 800        | 1 824 975           | 147 479 775        | 1% Reallocation of expenditure to the 2018/19 financial statements                       |
| Other expenditure                         | 125 111 471        | 77 800              | 125 189 271        | 1% Increased as a result of a cost saving based on the actual for the first six months   |
| <b>TOTAL OPERATING EXPENDITURE</b>        | <b>591 549 102</b> | <b>3 332 435</b>    | <b>594 881 537</b> |  |
| <b>OPERATING DEFICIT FOR THE YEAR</b>     | <b>9 731 571</b>   | <b>(9 380 474)</b>  | <b>845 794 057</b> |  |
| Government Grants and Subsidies - Capital | 112 217 100        | 10 000 000          | 122 217 100        | 10% Reversal of the Provisional Public Works Roads Infrastructure Grant                  |
| <b>NET SURPLUS FOR THE YEAR</b>           | <b>222 828 730</b> | <b>(15 380 474)</b> | <b>207 448 256</b> |  |

**JOE QQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018**

**COMPARISON OF ACTUAL FIGURES TO FINAL BUDGET**

|  | 2018<br>R<br>(Actual) | 2018<br>R<br>(Final Budget) | 2018<br>R<br>(Variance) | Explanations for material variances (10% of line-item)  |
|--|-----------------------|-----------------------------|-------------------------|---|
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |                       |                             |                         |   |
| <b>Receipts</b>  |                       |                             |                         |   |
| Service charges and other                              | 35 765 297            | 62 467 192                  | (26 701 894)            | -57% More cash received than anticipated  |
| Government - operating                                 | 9 40 850 413          | 399 309 440                 | 149 469 212             | 30% Increased PMU activities due to increased number of projects                                    |
| Interest   | 26 746 244            | 4 040 000                   | 32 705 244              | 552% Improved budgetary control and investment of equity fund                                       |
| <b>Payments</b>  |                       |                             |                         |   |
| Suppliers and Employees                                | (459 321 994)         | (457 094 064)               | (2 427 930)             | 0% Late appointments for vacant posts, increase efficiency of electricity reticulation and metering |
| Finance charges  | (1 113 331)           | (8 485 000)                 | 7 381 669               | -67% Non cash items not included  |
| Transfers and Grants                                   | -                     | -                           | -                       | 0% Immaterial   |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>              | <b>144 734 330</b>    | <b>14 317 528</b>           | <b>130 417 301</b>      |   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                       |                             |                         |   |
| <b>Receipts</b>  |                       |                             |                         |   |
| Proceeds on disposal of PPE                            | -                     | -                           | -                       |   |
| <b>Payments</b>  |                       |                             |                         |   |
| Capital assets   | (129 091 318)         | (216 488 816)               | 93 397 498              | -49% Underexpenditure of Capital Budget   |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>           | <b>(129 091 318)</b>  | <b>(216 488 816)</b>        | <b>93 397 498</b>       |   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                       |                             |                         |   |
| <b>Receipts</b>  |                       |                             |                         |   |
| Increase in consumer deposits                          | 23 311                | -                           | 23 311                  | 0% Increase in Consumers  |
| <b>Payments</b>  |                       |                             |                         |   |
| Repayment of borrowing                                 | (3 524 481)           | (4 026 062)                 | 501 600                 | -12% Effect of fluctuations in interest rate  |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>           | <b>(3 501 150)</b>    | <b>(4 026 062)</b>          | <b>524 912</b>          |   |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>            | <b>16 142 362</b>     | <b>(208 197 170)</b>        | <b>224 339 532</b>      |   |
| Cash and Cash Equivalents at the beginning of the year | (3 467 792)           | (3 467 792)                 | -                       | 0%  |
| Cash and Cash Equivalents at the end of the year       | 12 654 580            | 2 208 623                   | 9 445 957               | 215% Result of increased revenue, improved control and past underexpenditure                        |

**JOE GQABI DISTRICT MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**CASH FLOW STATEMENT FOR THE YEAR ENDING 30 JUNE 2018**

| ADJUSTMENTS TO APPROVED BUDGET                         |                      |                      |                      |  |
|--|----------------------|----------------------|----------------------|--|
|  | 2018<br>R            | 2018<br>R            | 2018<br>R            |  |
|  | (Approved Budget)    | (Adjustments)        | (Final Budget)       | Explanations for material variances (10% of line-item with a minimum of R1m) |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>             |                      |                      |                      |  |
| <b>Receipts</b>  |                      |                      |                      |  |
| Service charges  | 94 900 797           | (1 888 575)          | 93 012 222           | -2% Minor variation  |
| Government grants                                      | 606 386 406          | (213 966 810)        | 392 419 596          | -34% Adjustment on overstatement   |
| Interest   | 4 240 000            | -                    | 4 240 000            | 0% No adjustment   |
| <b>Payments</b>  |                      |                      |                      |  |
| Suppliers and employees                                | (457 004 084)        | -                    | (457 004 084)        | 0% No adjustment   |
| Finance charges  | (8 495 000)          | -                    | (8 495 000)          | 0% No adjustment   |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>              | <b>229 211 103</b>   | <b>(214 893 575)</b> | <b>14 317 528</b>    |  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                      |                      |                      |  |
| <b>Receipts</b>  |                      |                      |                      |  |
| Proceeds on disposal of PPE                            | -                    | -                    | -                    | 0%   |
| <b>Payments</b>  |                      |                      |                      |  |
| Capital assets   | (218 488 636)        | -                    | (218 488 636)        | 0% No adjustment   |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>           | <b>(218 488 636)</b> | <b>-</b>             | <b>(218 488 636)</b> |  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>            |                      |                      |                      |  |
| <b>Receipts</b>  |                      |                      |                      |  |
| Increase in consumer deposits                          | -                    | -                    | -                    |  |
| <b>Payments</b>  |                      |                      |                      |  |
| Repayment of borrowing                                 | (4 026 062)          | -                    | (4 026 062)          | 0% No adjustment   |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>           | <b>(4 026 062)</b>   | <b>-</b>             | <b>(4 026 062)</b>   |  |
| <b>NET DECREASE IN CASH HELD</b>                       | <b>6 696 405</b>     | <b>(214 893 575)</b> | <b>(208 197 170)</b> |  |
| Cash and Cash Equivalents at the beginning of the year | 25 487 780           | -                    | 25 487 780           | 0% No adjustment   |
| Cash and Cash Equivalents at the end of the year       | 3 208 635            | -                    | 3 208 635            | 0% No adjustment   |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS

#### 1.1. BASIS OF PREPARATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Municipal Finance Management Act (MFMA) and effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – April 2017) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in accounting policies are explained in the relevant notes to the financial statements.

#### 1.2. PRESENTATION CURRENCY

Amounts reflected in the financial statements are in South African Rand and at actual values. Financial values are rounded to the nearest one Rand.

#### 1.3. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.4. COMPARATIVE INFORMATION

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.5. AMENDED DISCLOSURE POLICY

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### 1.6. MATERIALITY

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

#### 1.7. PRESENTATION OF BUDGET INFORMATION

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate additional financial statement, namely Statement of comparison of budget and actual amounts.

Budget information is presented on the accrual basis and is based on the same period as the actual amounts, i.e. 1 July 2016 to 30 June 2017. The budget information is therefore on a comparable basis to the actual amounts.

The comparable information includes the following:

- the approved and final budget amounts;
- actual amounts and final budget amounts;

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included in the Notes to the Financial Statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

| Standard | Description  | Effective Date               |
|----------|--|------------------------------|
| GRAP 20  | <b>Related Party Disclosure</b><br>The objective of this standard is to establish principles for reporting financial information by segments. This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation (MSECRA). | 1 April 2019                 |
|          | Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.  |                              |
| GRAP 32  | <b>Service Concession Arrangements: Grantor</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.   | 1 April 2019                 |
|          |  |                              |
| GRAP 34  | <b>Separate Financial Statements</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.  | To be determined by Minister |
|          |  |                              |

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.8. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

| Standard | Description   | Effective Date               |
|----------|---|------------------------------|
| GRAP 20  | <b>Related Party Disclosure</b>   | 1 April 2019                 |
|          | The objective of this standard is to establish principles for reporting financial information by segments. This Standard will be implemented as part of the Municipal Standard Chart of Accounts Regulation <del>Interpretation</del> . |                              |
| GRAP 32  | <b>Service Concession Arrangements: Grantor</b>   | 1 April 2019                 |
|          | Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.   |                              |
| GRAP 34  | <b>Separate Financial Statements</b>  | To be determined by Minister |
|          | Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.   |                              |

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|          |  |                                 |
|----------|--|---------------------------------|
| GRAP 35  | <b>Consolidated Financial Statements</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.  | To be determined<br>by Minister |
| GRAP 36  | <b>Investments in Associates and Joint Ventures</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.   | To be determined<br>by Minister |
| GRAP 37  | <b>Joint Arrangements</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.   | To be determined<br>by Minister |
| GRAP 38  | <b>Disclosure of Interests in other Entities</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.  | To be determined<br>by Minister |
| GRAP 109 | <b>Statutory Receivables</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.  | 1 April 2019                    |
| GRAP108  | <b>Accounting by Principals and Agents</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.  | 1 April 2019                    |
| GRAP 110 | <b>Living and Non-Living Resources</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant.  | 1 April 2019                    |
| GRAP 17  | <b>Service Concession Arrangements where a grantor controls a significant residual interest in an asset</b><br>Preliminary investigations indicated that, other than additional disclosure, the impact of the Standards on the financial statements will not be significant. | 1 April 2019                    |

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.9. LEASES

##### 1.9.1 Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition.

##### 1.9.2 Municipality as Lessor

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease revenue is recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset. The Municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

#### 1.10. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grant are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- \* Unspent conditional grants are recognised as a liability when the grant is received.
- \* When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- \* The cash which backs up the creditor is invested as individual investment or
- \* Interest earned on the investment is treated in accordance with grant

#### 1.11. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS

Unpaid conditional grants are assets in terms of the Framework that are separately reflected on the Statement of Financial Position. The asset is recognised when the Municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.12. PROVISIONS

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where an inflow of economic benefits or service potential is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is de-recognised.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.13. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

##### 1.13.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs.

These obligations are valued annually by independent qualified actuaries.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.13.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.13.3 Ex gratia Gratuities

Ex gratia gratuities are provided to employees that were not previously members of a pension fund. The Municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 1.13.4 Provision for Staff Leave

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee. Accumulating leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term. Accumulated leave is vesting.

#### 1.13.5 Staff Bonuses Accrued

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year end is based on bonus accrued at year-end for each employee.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.13.6 Provision for Performance Bonuses

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees and middle management, is recognised as it accrues to Section 57 employees and middle managers. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

#### 1.13.7 Pension and retirement fund obligations

The Municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are recognised in the Statement of Financial Performance in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are recognised in the Statement of Financial Performance in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

#### 1.13.8 Other Short-term Employee Benefits

When an employee has rendered service to the Municipality during a reporting period, the Municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the
- as an expense, unless another Standard requires or permits the inclusion of the

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.14. PROPERTY, PLANT AND EQUIPMENT

##### 1.14.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost or fair value of the item can be measured reliably. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.14.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits or service potential associated with the asset.

#### 1.14.3 Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives:

|                           | Years   |
|---------------------------|---------|
| <b>Infrastructure</b>     |         |
| Water                     | 7 – 118 |
| Sewerage                  | 8 – 101 |
| <b>Land and Buildings</b> |         |
| Buildings                 | 20 – 30 |
| <b>Other</b>              |         |
| Special Vehicles          | 10 – 16 |
| Motor vehicles            | 5 – 17  |
| Office Equipment          | 7 – 15  |
| Furniture and Fittings    | 7 – 16  |
| Tool and Equipment        | 5 – 15  |
| Computer Equipment        | 3 – 17  |
| Fire Engines              | 5 – 12  |

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized. A reversal of an impairment is recognised in the Statement of Financial Performance.

#### 1.14.4 De-recognition

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.15. INTANGIBLE ASSETS

##### 1.15.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable asset or liability, regardless of whether the Municipality intends to do so; or
- arises from binding arrangements from contracts, regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project;
- it is probable that the municipality will receive future economic benefits or
- the Municipality can measure reliably the expenditure attributable to the

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value is not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

##### 1.15.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and any accumulated impairments losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.15.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over its estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

| Intangible Assets | <u>Years</u> |
|-------------------|--------------|
| Computer          | 3-10         |
| Software          |              |

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.15.4 De-recognition

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.16. INVESTMENT PROPERTY

##### 1.16.1 Initial Recognition

Investment property is recognised as an asset when, and only when:

- \* it is probable that the future economic benefits or service potential that are
- \* the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of **operations**. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.16.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

#### 1.16.3 Depreciation and Impairment – Cost Model

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

| <u>Investment Property</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings                  | 20 - 30      |

#### 1.16.4 De-recognition

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

#### 1.17. IMPAIRMENT OF NON-FINANCIAL ASSETS

##### 1.17.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### (a) External sources of information

\* During the period, an asset's market value has declined significantly more than

would be expected as a result of the passage of time or normal use.

\* Significant changes with an adverse effect on the Municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Municipality operates or in the market to which an asset is dedicated.

\* Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

#### (b) Internal sources of information

\* Evidence is available of obsolescence or physical damage of an asset.

\* Significant changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.

\* Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

#### 1.17.2 Non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the Municipality considers the following indications:

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### (a) External sources of information

\* Cessation, or near cessation, of the demand or need for services provided by the asset.

\* Significant long-term changes with an adverse effect on the Municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the Municipality operates.

#### (b) Internal sources of information

\* Evidence is available of physical damage of an asset.

\* Significant long-term changes with an adverse effect on the Municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.

\* A decision to halt the construction of the asset before it is complete or in a usable condition.

\* Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be, significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss is recognised in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches, depending on the nature of the asset in question:

\* depreciation replacement cost approach - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

\* restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

\* service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.18. INVENTORIES

#### 1.18.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### 1.18.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

The basis of allocating cost to inventory items is the weighted average method.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.19. FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions) and non-current investments. The future utilization of Unspent Conditional Grants is evaluated in order to determine whether it is treated as financial instruments.

##### 1.19.1 Initial Recognition

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the Municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.19.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### 1.19.2.1 Receivables

Receivables are classified as financial assets at amortised cost, and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.19.2.2 Payables and Annuity Loans

Financial liabilities consist of payables and annuity loans. They are categorised as financial liabilities held at amortised cost, and are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.19.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities carried at amortised cost.

#### 1.19.2.4 Non-Current Investments

Investments which include investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

#### 1.19.3 De-recognition of Financial Instruments

##### 1.19.3.1 Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired? or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement? and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.19.3.2 Financial Liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

### 1.19.4 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## 1.20. REVENUE

### 1.20.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred, meet the criteria for recognition as an asset. A corresponding liability is recognised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received, but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

All unclaimed deposits are initially recognised as a liability until 36 months expires, when all unclaimed deposits into the Municipality's bank account will be treated as revenue. This policy is in line with prescribed debt principle as enforced by law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

### 1.20.2 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or **receivable**.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- \* The Municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- \* The Municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- \* The amount of revenue can be measured reliably.
- \* It is probable that the economic benefits or service potential associated with the transaction will flow to the Municipality.
- \* The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition the full amount of revenue is recognised where the Municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the Municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Service charges relating to water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Where the Municipality was unable to take the actual month's reading of certain consumers, a provisional estimate of consumption for that month will be created. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property a fixed monthly tariff is levied and in the case of commercial property a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the Municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the

- \* The prevailing rate for a similar instrument of an issuer with a similar credit rating;
- \* A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

#### 1,21 TRANSFER OF FUNCTION (Municipality as the acquirer)

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving a Municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between Municipalities by transferring functions between Municipalities or into another entity.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the Municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the Municipality or from other rights and obligations.

The Municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method. Applying the acquisition method requires:

- (a) identifying the acquirer (Municipality);
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the Municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the **applicable** Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The Municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The Municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.22. RELATED PARTIES

The Municipality resolved to adopt the disclosure requirements as per GRAP 20 – "Related Party Disclosures".

A related party is a person or an entity:

- with the ability to control or jointly control the other party,
- or exercise significant influence over the other party, or vice versa,
- or an entity that is subject to common control, or joint control.

The following are regarded as related parties of the Municipality:

(a) A person or a close member of that person's family is related to the Municipality if that person:

- has control or joint control over the Municipality.
- has significant influence over the Municipality. Significant influence is the power to participate in the financial and operating policy decisions of the Municipality.
- is a member of the management of the Municipality or its controlling entity.

(b) An entity is related to the Municipality if any of the following conditions apply:

- the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others).
- one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member).
- both entities are joint ventures of the same third party.
- one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- the entity is a post-employment benefit plan for the benefit of employees of either the Municipality or an entity related to the Municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity.
- the entity is controlled or jointly controlled by a person identified in (a).
- a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the Municipality. A person is considered to be a close member of the family of another person if they:

- (a) are married or live together in a relationship similar to a marriage; or
- (b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Management (formerly known as "Key Management") includes all persons having the authority and

responsibility for planning, directing and controlling the activities of the Municipality, including:

- (a) all members of the governing body of the Municipality;
- (b) a member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the Municipality;
- (c) any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the Municipality; and
- (d) the senior management team of the Municipality, including the chief executive officer or permanent head of the Municipality, unless already included in (a).

Management personnel include:

- (a) All directors or members of the governing body of the Municipality, being the Executive Mayor, Speaker and members of the Mayoral Committee.
- (b) Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting Municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the Municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the Municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as a reimbursement for expenditure incurred by those persons for the benefit of the Municipality.

The Municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

### 1.23. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.24. IRREGULAR EXPENDITURE

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

#### 1.25. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

Management judgement is required when recognising and measuring contingent liabilities.

### 1.27. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.27.1 Post retirement medical obligations, Long service awards and Ex gratia gratuities

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 12 of the financial statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### 1.27.2 Impairment of Receivables

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.27.3 Property, Plant and Equipment

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment.

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets.
- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings. The Municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

#### 1.27.4 Intangible Assets

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the Municipality and other municipalities to determine the useful life of the assets.



## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### 1.27.5 Investment Property

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The Municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The Municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

#### 1.27.6 Provisions and Contingent Liabilities

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

#### 1.27.7 Revenue Recognition

Accounting Policy 1.23.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.23.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 1.27.8 Provision for Performance bonuses

The provision for performance bonuses represents the best estimate of the obligation at year end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

### 1.27.9 Componentisation of Infrastructure assets

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the standards of GRAP.

### 1.28. SOUTH AFRICAN REVENUE SERVICES (VALUE ADDED TAX)

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### 1.29. CAPITAL COMMITMENTS

Capital commitments disclosed in the financial statements represents the contractual balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.30. EVENTS AFTER REPORTING DATE

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- \* those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- \* those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the Municipality discloses the nature and an estimate of the financial effect.

### 1.31. BORROWING COSTS

The Municipality recognises all borrowing costs as an expense in the period in which they are incurred.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R         | 2017<br>R          |
|--|-------------------|--------------------|
| <b>2 INVENTORY</b>   |                   |                    |
| Fuel and oil - at cost   | 653 066           | 466 626            |
| Stationery and materials - at cost   | 538 805           | 804 267            |
| Spare parts - at cost  | 1 021 837         | 1 206 101          |
| Water stock - net realisable value   | 426 990           | 424 072            |
| <b>Total Inventory</b>   | <b>2 640 698</b>  | <b>2 900 066</b>   |
| <b>Consumable stores materials (gains)/losses identified during stock counts</b>   | <b>-</b>          | <b>-</b>           |
| Inventory recognised as an expense during the year   | 753 294           | 4 305 557          |
| No inventory was pledged as security.  |                   |                    |
| Inventory Adjustments made for the year (surplus)/loss   | 70 785            | (44 146)           |
| Fuel was purchased on a needs basis as from March 2017 resulting in the decrease on the inventory recognised as an expense during the year.  |                   |                    |
| Council took a decision to replace the conventional water meters with pre paid water meters. Below are the detail of the meters procured and |                   |                    |
| Number of pre paid meters procured for the period:   | 3500              | 2000               |
| Number of pre paid meters in stores at year end:   | 3916              | 1812               |
| <b>3 CASH AND CASH EQUIVALENTS</b>   |                   |                    |
| Primary Bank Account   | 651 107           | (5 672 687)        |
| Call and short-term investments deposits   | 11 967 873        | 2 155 106          |
| Cash floats  | 300               | 300                |
| Petty cash   | 35 300            | 29 500             |
| <b>Total</b>   | <b>12 654 580</b> | <b>(3 487 782)</b> |
| Due to the short term nature of cash deposits, all balances included above are in line with their fair value.                                |                   |                    |
| Cash and Cash Equivalents are disclosed as follow:   |                   |                    |
| <b>Current assets</b>  | <b>12 654 580</b> | <b>2 184 906</b>   |
| <b>Current liability</b>   | <b>-</b>          | <b>5 672 687</b>   |
|  | <b>12 654 580</b> | <b>(3 487 782)</b> |
| <b>Primary Bank Account:</b>   |                   |                    |
| ABSA Bank - Barkly East Branch - 23 900 000 10   |                   |                    |
| Bank statement balance - Opening balance   | 1 158 163         | 4 341 332          |
| Bank statement balance - Closing balance   | 651 107           | 1 155 163          |
| Cashbook balance - Opening balance   | (5 672 687)       | (2 613 344)        |
| Cashbook balance - Closing balance   | 651 107           | (5 672 687)        |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|                          | 2018<br>R         | 2017<br>R        |
|--------------------------|-------------------|------------------|
| <b>Call Deposits</b>     |                   |                  |
| ABSA - Acc no 9084189045 | 9 093 333         | 480 903          |
| ABSA - Acc no 9185426744 | 319 752           | 500 967          |
| ABSA - Acc no 9072226158 | 38 380            | 36 077           |
| ABSA - Acc no 9133637071 | 260 139           | 613 504          |
| ABSA - Acc no 9270029895 | 295 287           | 240 838          |
| ABSA - Acc no 9276836849 | 2 063 061         | 485 019          |
| <b>Total</b>             | <b>11 957 879</b> | <b>2 155 106</b> |

### RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

|   |                  |                  |
|---|------------------|------------------|
| Cash and Cash Equivalents as per the disclosure above         | 12 654 380       | (3 487 762)      |
| Less:   |                  |                  |
| Unspent Committed Conditional Grants - note 6                 | 2 776 798        | 4 938 438        |
| <b>Net cash resources available for internal distribution</b> | <b>9 877 582</b> | <b>8 416 210</b> |

The unspent committed conditional grants are subject to approval by National Treasury. The values disclosed are excluding the Unspent grants (Monies due to the District) to the value of:

|            |            |
|------------|------------|
| 14 395 962 | 22 363 531 |
|------------|------------|

The municipality experienced cashflow challenges towards the end of the financial year due to the high outstanding unpaid grants. An amount of R15 926 055 is due to the municipality (2017: R22 363 531) as at year end (disclosed in note 5 and was received subsequent to year end).

### 4. RECEIVABLES FROM EXCHANGE TRANSACTIONS

|   |                    |                    |
|---|--------------------|--------------------|
| Water   | 230 927 747        | 162 788 256        |
| Sanitation  | 95 982 014         | 74 814 568         |
| Local Municipalities                                    | 17 056 184         | 17 056 184         |
| Walter Sisulu Local Municipality                        | 17 056 184         | 17 056 184         |
| Other Exchangeables                                     | 7 097 795          | 5 341 064          |
| Working for Wetlands                                    | 2 050 218          | -                  |
| Deposits  | 144 961            | 144 961            |
| Other Debtors   | 2 061 603          | 1 475 293          |
| Staff Debtors   | 595 561            | 623 431            |
| Pensioners  | 2 331 425          | 2 063 842          |
| Expenses paid in advance                                | -                  | 1 033 537          |
|   | 941 068 711        | 280 000 072        |
| Less: Allowance for Doubtful Debts                      | (156 987 978)      | (142 799 697)      |
| <b>Total Net Receivables from Exchange Transactions</b> | <b>154 075 734</b> | <b>137 299 465</b> |

The carrying value of receivables are in line with their fair value. A credit period of 30 days are granted on initial recognition of the receivable, which is considered to be in line with industry norms. Interest at prime rate +2% is charged on overdue accounts.

Walter Sisulu Local Municipality (Previously known as Gariep Local Municipality and Matroosburg Local Municipality) owe the Municipality for revenue received for water and sanitation as per the billing agreement. The amount disclosed is not the same as in the records of Walter Sisulu Local Municipality. The transactions processed by the said entity is under dispute and is therefore also resulting in no movement in the balance.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R          | 2017<br>R          |
|--|--------------------|--------------------|
| <b>Reconciliation of the Total Doubtful Debt Provision</b> |                    |                    |
| Balance at beginning of the year                           | 142 799 608        | 208 947 722        |
| Contributions to provision                                 | 36 200 785         | 44 816 410         |
| Doubtful debts written off against provision               | 7 957 605          | (111 964 524)      |
| <b>Balance at end of year</b>                              | <b>186 987 978</b> | <b>142 799 608</b> |
| Water  | 116 573 645        | 84 823 306         |
| Sewerage   | 52 956 771         | 40 521 739         |
| Local Municipalities                                       | 15 409 620         | 15 409 620         |
| Other Receivables  | 2 044 942          | 2 044 942          |

The allowance for impairment of Receivables has been made for all consumer balances outstanding based on the payment ratio over 12 months. Based on these payment trends, management is satisfied that no further credit provision is required in excess of the current allowance. The risk of non-payment is further mitigated due to the large consumer base over which the outstanding receivable balance is spread. Pre paid meters are also being installed throughout the district, which management believe will decrease non-payment risk and also ensure collection of arrears amounts.

### Municipality

|                      | Gross Balance      | Allowance for<br>impairment | Net Receivable     |
|----------------------|--------------------|-----------------------------|--------------------|
| <b>2018</b>          |                    |                             |                    |
| Water                | 220 927 747        | (116 573 645)               | 104 354 102        |
| Sewerage             | 95 962 014         | (52 956 771)                | 43 005 243         |
| Local Municipalities | 17 056 184         | (15 409 620)                | 1 646 564          |
| Other Receivables    | 7 097 766          | (2 044 942)                 | 5 052 824          |
| <b>Total</b>         | <b>341 068 711</b> | <b>(186 987 978)</b>        | <b>154 075 734</b> |

|                      | Gross Balance      | Allowance for<br>impairment | Net Receivable     |
|----------------------|--------------------|-----------------------------|--------------------|
| <b>2017</b>          |                    |                             |                    |
| Water                | 162 768 256        | (84 823 306)                | 77 944 950         |
| Sewerage             | 74 924 568         | (40 521 739)                | 34 402 829         |
| Local Municipalities | 17 056 184         | (15 409 620)                | 1 646 564          |
| Other Receivables    | 5 343 664          | (2 044 942)                 | 3 298 722          |
| <b>Total</b>         | <b>260 092 672</b> | <b>(142 799 607)</b>        | <b>117 293 065</b> |

### Ageing of Receivables from Exchange Transactions

#### Water

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| Current (0 - 30 days)   | 8 536 177          | 8 961 293          |
| Post Due (31 - 60 Days) | 7 985 899          | 7 780 882          |
| Post Due (61 - 90 Days) | 7 802 080          | 7 575 219          |
| Post Due (90 Days +)    | 196 603 831        | 138 450 912        |
| <b>Total</b>            | <b>220 927 747</b> | <b>162 768 256</b> |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R         | 2017<br>R         |
|--|-------------------|-------------------|
| <b><u>Sewerages:</u></b>   |                   |                   |
| Current (0 - 30 days)  | 4 461 295         | 3 819 601         |
| Post Due (31 - 60 Days)  | 3 498 643         | 3 297 112         |
| Post Due (61 - 90 Days)  | 2 306 908         | 2 129 102         |
| Post Due (91 Days +)   | 84 745 169        | 68 670 463        |
| <b>Total</b>   | <b>95 982 014</b> | <b>74 924 968</b> |
| <b><u>Other Receivables: Aging</u></b>   |                   |                   |
| Current (0 - 30 days)  | -                 | -                 |
| Post Due (31 - 60 Days)  | -                 | -                 |
| Post Due (61 - 90 Days)  | -                 | -                 |
| Post Due (91 Days +)   | 26 153 950        | 22 098 920        |
| <b>Total</b>   | <b>26 153 950</b> | <b>22 098 920</b> |
| <b>5 SOUTH AFRICAN REVENUE SERVICES</b>  |                   |                   |
| VAT Receivable   | 25 760 780        | 41 313 627        |
| VAT Payable  | (33 495 413)      | (21 231 837)      |
| Less: VAT on Provision for Debt Impairment   | 16 776 962        | 12 584 579        |
| <b>Total South African Revenue Services</b>  | <b>9 042 025</b>  | <b>32 606 490</b> |
| Balance previously reported 30 June 2017   |                   | 32 226 817        |
| Correction of VAT Implication on duplication of order as per note 14   |                   | (16 354)          |
| <b>Restated balance as at 30 June 2017</b>   |                   | <b>32 200 463</b> |
| VAT is accounted for on the cash basis   |                   |                   |
| No interest is payable to SARS if the VAT is paid over timeously, but interest for late payments is charged according to SARS policies |                   |                   |
| <b><u>Disclosed as follow:</u></b>   |                   |                   |
| Current Liabilities from Exchange Transactions   | -                 | -                 |
| Current Assets from Exchange Transactions  | 9 042 025         | 32 686 430        |
| <b><u>Reconciliation of VAT on Provision for Debt Impairment</u></b>   |                   |                   |
| Opening Balance  | 12 584 579        | 19 332 287        |
| VAT on Provision for bad debts - Note 28   | 4 192 083         | (6 747 708)       |
| <b>Closing balance</b>   | <b>16 776 662</b> | <b>12 584 579</b> |
| <b>6 UNSPENT/UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>   |                   |                   |
| National Government Grants   | 874 277           | 2 610 476         |
| Provincial Government Grants   | 1 610 303         | 2 289 808         |
| Other Grant Providers  | 292 360           | 75 145            |
| <b>Unspent Grants</b>  | <b>2 776 738</b>  | <b>4 928 428</b>  |
| National Government Grants   | 12 367 810        | 15 263 037        |
| Provincial Government Grants   | 2 127 059         | 8 930 514         |
| Other Grant Providers  | -                 | -                 |
| <b>Less: Unpaid Grants</b>   | <b>14 395 662</b> | <b>22 163 351</b> |
| <b>Total Conditional Grants and Receipts due to Municipality</b>   | <b>11 818 934</b> | <b>17 235 122</b> |



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R | 2017<br>R                |
|--|-----------|--------------------------|
| Balance previously reported 30 June 2017                                 |           | 14 730 152               |
| Correction of understatement of grant income recognised on MIG 2016/2017 |           | <u>2 504 970</u>         |
| Restated balance as at 30 June 2017                                      |           | <u><u>17 235 122</u></u> |

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2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 2680, 2681, 26

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**Revised manuscript received 12 July 2005**

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1. **Operating income** (loss) before income taxes  
 2. **Income tax expense** (benefit)  
 3. **Operating income** (loss)  
 4. **Other income** (expense)  
 5. **Income before income taxes**  
 6. **Income tax expense** (benefit)  
 7. **Income after income taxes**  
 8. **Net income** (loss)

1. **Operating income** (loss) before income taxes  
 2. **Income tax expense** (benefit)  
 3. **Operating income** (loss)  
 4. **Other income** (expense)  
 5. **Income before income taxes**  
 6. **Income tax expense** (benefit)  
 7. **Income after income taxes**  
 8. **Net income** (loss)

Total assets, liabilities, and equity at the end of the period are shown in the accompanying balance sheet. The accompanying statement of cash flows shows the changes in cash and cash equivalents during the period.

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1. **Operating income** (loss) before income taxes  
 2. **Income tax expense** (benefit)  
 3. **Operating income** (loss)  
 4. **Other income** (expense)  
 5. **Income before income taxes**  
 6. **Income tax expense** (benefit)  
 7. **Income after income taxes**  
 8. **Net income** (loss)

1. **Operating income** (loss) before income taxes  
 2. **Income tax expense** (benefit)  
 3. **Operating income** (loss)  
 4. **Other income** (expense)  
 5. **Income before income taxes**  
 6. **Income tax expense** (benefit)  
 7. **Income after income taxes**  
 8. **Net income** (loss)

Total assets, liabilities, and equity at the end of the period are shown in the accompanying balance sheet. The accompanying statement of cash flows shows the changes in cash and cash equivalents during the period.

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Annual Report 2017/18 financial year

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R        | 2017<br>R        |
|---|------------------|------------------|
| <b>8 INVESTMENT PROPERTY</b>  |                  |                  |
| Net Carrying amount at 1 July   | 2 484 344        | 2 529 839        |
| Cost  | 2 883 357        | 2 883 357        |
| Accumulated Depreciation  | (399 013)        | (353 517)        |
| Additions   |                  |                  |
| Depreciation for the year   | (45 495)         | (45 495)         |
| <b>Net Carrying amount at 30 June</b>   | <b>2 438 848</b> | <b>2 484 344</b> |
| Cost  | 2 883 357        | 2 883 357        |
| Accumulated Depreciation  | (444 509)        | (399 013)        |
| Balance previously reported 30 June 2017  |                  | 2 277 174        |
| Correction of overstatement of the depreciation on investment property during the 2016/2017 financial year. |                  | 211 085          |
| <b>Restated balance as at 30 June 2017</b>  |                  | <b>2 488 259</b> |

Revenue derived from the rental of investment property.

No operating expenditure was incurred on investment property during the 2016/2017 and 2017/2018 financial years.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop the investment property or for repairs, maintenance or enhancements.

### 9 INTANGIBLE ASSETS

#### Computer Software

|   |                |                  |
|---|----------------|------------------|
| <b>Net Carrying amount at 1 July</b>          | <b>991 023</b> | <b>1 349 223</b> |
| Cost  | 4 395 577      | 4 395 577        |
| Accumulated Amortisation                      | (3 404 554)    | (3 046 354)      |
| Additions and transfers from work in progress |                |                  |
| Amortisation                                  | (448 203)      | (448 203)        |
| <b>Net Carrying amount at 30 June</b>         | <b>452 822</b> | <b>991 023</b>   |
| Cost  | 4 395 577      | 4 395 577        |
| Accumulated Amortisation                      | (3 942 754)    | (3 404 554)      |

No intangible assets were assessed as having an indefinite useful life. There are no internally generated intangible assets at the reporting date. There are no intangible assets whose title is restricted and no intangible assets are pledged as security for liabilities. There are no contractual commitments for the acquisition of intangible assets.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R        | 2017<br>R        |
|--|------------------|------------------|
| <b>10 NON-CURRENT INVESTMENTS</b>                              |                  |                  |
| Financial Instruments  |                  |                  |
| Fixed Deposits   | 1 577 453        | 1 583 453        |
| Unlisted   |                  |                  |
| Municipal Entity - Joe Gqabi Economic Development Agency (Soc) | 1 894 095        | 1 894 095        |
| Cost   | 6 886 541        | 6 886 541        |
| Provision for Impairment                                       | (4 992 086)      | (4 992 086)      |
| <b>Total Non-Current Investments</b>                           | <b>3 571 505</b> | <b>3 477 508</b> |

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA). The purpose of the entity is to promote economic development in the district.

Prior to 1 July 2012, JoGEDA was still in its establishment phase. All contributions made by the Municipality during the establishment phase was capitalised as part of the investment. In the 2012/13 year, JoGEDA has become operational as a result thereof, contributions made by the Municipality are no longer capitalised. These contributions are treated as Grants and Subsidies Paid.

The provision for impairment is based on the difference between the amount invested and the net asset value of JoGEDA at a time when the Agency had other income than only being funded by the Municipality. The value was not revalued in the last three financial years due to the municipality being the sole funders. The provision for impairment is calculated on an annual basis. Net asset value of JoGEDA as disclosed in their annual financial statements is R3 342 938 (2017 : R3 333 841).

Fixed Deposits are investments with a maturity period of more than 12 months and an average interest rate of 9.13% per annum. (2017 : 5.15%). Interest rates are considered to be market related. The carrying amount of these fixed deposits approximates their fair value.

Investments are made in terms of the Municipality's Cash Management and Investment Policy, as required by Regulation R 308 of 1 April 2005 gazetted in the Government Gazette No 27431 of 1 April 2005 and issued by the Minister of Finance.

Fixed deposit consist of the following accounts:

|      |  |           |           |
|------|--|-----------|-----------|
| ABSA | - Acc no 96000 - Building - OBISA Loan | 1 577 453 | 1 583 453 |
|------|--|-----------|-----------|

The fixed deposit serve as collateral security for the OBISA Building loan as per note 15



**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

|  | 2018<br>R         | 2017<br>R         |
|--|-------------------|-------------------|
| <b>11 EMPLOYEE BENEFITS</b>  |                   |                   |
| Post Retirement Medical Obligations - refer to note 11.1                 | 27 880 277        | 26 976 151        |
| Gratuity Obligations - refer to note 11.2                                | 122 678           | 187 418           |
| Long Service Awards - refer to note 11.3                                 | 5 273 025         | 4 680 638         |
| <b>Total Non-current Employee Benefit Liabilities</b>                    | <b>33 275 980</b> | <b>31 844 207</b> |
| <b>Post Retirement Medical Obligations</b>                               |                   |                   |
| Balance 1 July   | 35 233 978        | 32 386 820        |
| Contributions for the year   | 9 586 283         | 8 680 291         |
| Expenditure for the year   | (1 091 289)       | (1 076 893)       |
| Actuarial Gain   | (7 328 958)       | (8 458 398)       |
| <b>Total post retirement medical obligation 30 June</b>                  | <b>29 401 000</b> | <b>31 533 920</b> |
| Less: Transfer of current portion to Current Employee Benefits - note 12 | (1 520 723)       | (1 558 013)       |
| <b>Balance 30 June</b>   | <b>27 880 277</b> | <b>26 976 151</b> |
| <b>Gratuity Obligations</b>  |                   |                   |
| Balance 1 July   | 275 022           | 458 504           |
| Contributions for the year   | 60 756            | 30 966            |
| Expenditure for the year   | (37 094)          | (109 438)         |
| Actuarial Gain   | (63 750)          | (9 480)           |
| <b>Total gratuity provision 30 June</b>                                  | <b>122 678</b>    | <b>187 418</b>    |
| Less: Transfer of current portion to Current Employee Benefits - note 12 | (122 678)         | (122 678)         |
| <b>Balance 30 June</b>   | <b>0</b>          | <b>0</b>          |

**JOE GQABI DISTRICT MUNICIPALITY**  
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R                 | 2017<br>R                 |
|---|---------------------------|---------------------------|
| <b><u>Long Service Awards</u></b>   |                           |                           |
| Balance 1 July  | 5 009 979                 | 4 716 680                 |
| Contributions for the year  | 2 405 036                 | 1 078 186                 |
| Expenditure for the year  | (391 964)                 | (253 897)                 |
| Against (Gain)/Loss   | (162 029)                 | (48 189)                  |
| <b>Total long service 30 June</b>   | <b>7 481 008</b>          | <b>5 505 979</b>          |
| <b><u>Less:</u></b> Transfer of current portion to Current Employee Benefits - note 12                          | <b>(1 207 863)</b>        | <b>(929 341)</b>          |
| <b>Balance 30 June</b>  | <b>6 273 125</b>          | <b>4 576 638</b>          |
| <b><u>TOTAL EMPLOYEE BENEFITS</u></b>   |                           |                           |
| Balance 1 July  | 37 119 609                | 37 286 214                |
| Contributions for the year  | 6 211 646                 | 7 786 423                 |
| Expenditure for the year  | (1 112 241)               | (1 420 071)               |
| Against (Gain)  | (7 900 611)               | (6 494 597)               |
| <b>Total employee benefits 30 June</b>  | <b>37 216 662</b>         | <b>37 159 629</b>         |
| <b><u>Less:</u></b> Transfer of current portion to Current Employee Benefits - note 12                          | <b>(2 940 362)</b>        | <b>(2 419 302)</b>        |
| <b>Balance 30 June</b>  | <b>34 276 280</b>         | <b>34 706 207</b>         |
|   | <b>2018<br/>Employees</b> | <b>2017<br/>Employees</b> |
| <b>11.1 Post Retirement Medical Obligations</b>   |                           |                           |
| The Post Retirement Medical Obligations is a defined benefit plan, of which the members are made up as follows: |                           |                           |
| In service (employees) members  | 195                       | 198                       |
| Contributed members to (a. Retirees, widows, orphans)   | 57                        | 55                        |
| <b>Total Members</b>  | <b>193</b>                | <b>200</b>                |

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

|  | 2018<br>R | 2017<br>R |
|--|-----------|-----------|
| The Municipality makes readily accessible for health care arrangements to the following identified sub-sectors:                |           |           |
| <p>Disaster</p> <p>LA Health</p> <p>Reserve</p> <p>Primary Medical Aid</p>   |           |           |
|  | N         | N         |
| Key financial assumptions used:  |           |           |
| <b>1) Rate of interest</b>   |           |           |
| Discount rate  | 9.98      | 9.98      |
| Health Care Cost Inflation Rate  | 0.17      | 0.09      |
| Net Effective Discount Rate  | 0.86      | 1.05      |
| The discount rate used is a composite of all government bonds and is calculated using a technique known as "treasury-earning". |           |           |
| <b>2) Mortality rates</b>  |           |           |
| The 100th ultimate rates noted above for 0 year old age.   |           |           |
| <b>3) Normal retirement age</b>  |           |           |
| The normal retirement age for employees of the Municipality is:  |           |           |
| Male: 61 years   |           |           |
| Female: 59 years   |           |           |

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

|   | In-Service<br>Members        | 2018<br>Continuation<br>Members | 2017<br>Present value of<br>fund obligations |
|---|------------------------------|---------------------------------|--|
|   | R                            | R                               | R  |
| The liability in respect of past service recognised in the Statement of Financial Position is as follows:                   |                              |                                 |  |
| 30 June 2008  | 48 989 000                   | 10 950 000                      | 29 401 900                                   |
| 30 June 2007  | 28 275 191                   | 10 482 000                      | 29 838 151                                   |
| 30 June 2006  | 22 200 577                   | 10 816 442                      | 22 166 020                                   |
| 30 June 2005  | 18 988 862                   | 9 603 392                       | 28 712 043                                   |
| 30 June 2004  | 18 330 000                   | 9 702 500                       | 26 042 591                                   |
| 30 June 2003  | 15 859 000                   | 8 890 475                       | 23 852 475                                   |
| 30 June 2002  | 7 540 000                    | 10 080 238                      | 17 613 234                                   |
| The Municipality has elected to recognise the full increase in the defined benefit liability immediately as per<br>GRAF 25. |                              |                                 |  |
|   | Liabilities<br>(Gain) / Loss | Assets<br>Gain / (Loss)         |  |
|   | R                            | R                               |  |
| Experience adjustments were calculated as follows:  |                              |                                 |  |
| 30 June 2008  | (3 120 000)                  | -                               |  |
| 30 June 2007  | (1 344 000)                  | -                               |  |
| 30 June 2006  | 292 500                      | -                               |  |
| 30 June 2005  | (878 000)                    | -                               |  |
| 30 June 2004  | 2 020 000                    | -                               |  |
| 30 June 2003  | 5 880 000                    | -                               |  |
| 30 June 2002  | (115 000)                    | -                               |  |
| Reconciliation of present value of fund obligations:  |                              |                                 |  |

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

|   | 2018<br>R         | 2017<br>R         |
|---|-------------------|-------------------|
| Present value of fund obligation at the beginning of the year                 | 95 238 575        | 10 266 895        |
| Total contributions   | 5 595 565         | 5 523 565         |
| Current service costs   | 2 507 425         | 2 401 983         |
| Interest Cost   | 6 037 956         | 5 899 398         |
| Benefits Paid   | (11 081 340)      | (1 075 495)       |
| Actuarial Gains/Loss  | (7 236 739)       | (9 495 565)       |
| Present value of fund obligation at the end of the year                       | 25 455 000        | 11 223 576        |
| <u>Loss</u> Transfer of current portion to Current Employee Benefits - note 4 | (1 528 723)       | (1 895 627)       |
| Balance 30 June   | <u>27 880 277</u> | <u>29 338 201</u> |

**Sensitivity Analysis on the Current-service and Interest Costs**

| Assumption              | Change | Current Service Cost (R) | Interest Cost (R) | Total (R) | % Change |
|-------------------------|--------|--------------------------|-------------------|-----------|----------|
| Current assumptions     |        | 2 507 425                | 6 037 956         | 8 545 380 |          |
| Health care inflation   | +1%    | 2 125 039                | 6 750 490         | 7 875 529 | -9%      |
| Health care inflation   | -1%    | 2 827 210                | 5 325 460         | 8 152 670 | -6%      |
| Discount rate           | +1%    | 2 596 200                | 2 057 289         | 4 653 489 | -46%     |
| Discount rate           | -1%    | 3 006 120                | 4 264 868         | 7 270 988 | 12%      |
| Long-term interest rate | +10%   | 2 587 600                | 6 240 880         | 8 828 480 | 4%       |
| Long-term interest rate | -10%   | 2 290 100                | 4 264 599         | 6 554 699 | -23%     |

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

|  | 2018 | 2017                                    |
|--|------|---|
|  | R    | R                                       |
|  | %    | %                                       |
| <b>11.2. Discretionary Gratuities</b>  |      |   |
| The Joe Gqabi District Municipality has no defined benefit plans. As at year end 201 employees (2017: 204) were eligible for Discretionary Gratuities. |      |   |
| Key actuarial assumptions used:  |      |   |
| a) <b>Rate of interest</b>   |      |   |
| Discount rate  | 8.45 | 8.47                                    |
| The discount rate used is a composite of all government bonds and is calculated using a technique known as "bootstrapping".                            |      |   |
|  |      | <b>Present value of fund obligation</b> |
| The liability in respect of past service recognised in the Statement of Financial Position is as follows:  |      |   |
| 30 June 2018   |      | 334 805                                 |
| 30 June 2017   |      | 379 653                                 |
| 30 June 2016   |      | 405 515                                 |
| 30 June 2015   |      | 389 595                                 |
| 30 June 2014   |      | 400 325                                 |
| 30 June 2013   |      | 400 516                                 |
| 30 June 2012   |      | 524 947                                 |
| The municipality has elected to recognise the full increase in this defined benefit liability immediately as per GRAP 25.                              |      |   |



**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

|  | 2018<br>R<br>Liabilities<br>(Gains) / Loss | 2017<br>R<br>Assets<br>Gain / (Loss) |
|--|--|--------------------------------------|
| Experience adjustments were calculated as follows:                   |  |                                      |
| 30 June 2016   | (89 598)                                   |                                      |
| 30 June 2017   | 9 496                                      |                                      |
| 30 June 2018   | 95 127                                     | -                                    |
| 30 June 2019   | 112 184                                    | -                                    |
| 30 June 2024   | (7 508)                                    | -                                    |
| 30 June 2029   | 79 298                                     | -                                    |
| 30 June 2033   | 81 801                                     | -                                    |
| Reconciliation of present value of fund obligation:                  |  |                                      |
| Present value of fund obligation at the beginning of the year        | 275 802                                    | 495 514                              |
| Total contributions:   | 22 754                                     | (88 472)                             |
| Current and prior service cost                                       | 33 885                                     | 29 779                               |
| Interest Cost  | 26 871                                     | 36 147                               |
| Benefits Paid  | (37 959)                                   | (100 428)                            |
| Actuarial (Gain)/Loss  | (68 758)                                   | 8 516                                |
| Present value of fund obligation at the end of the year              | 294 655                                    | 375 452                              |
| Less: Transfer of excess payable to Comm. Employee Services - note 4 | (211 575)                                  | (188 354)                            |
| Present value of fund obligation at the end of the year              | 83 080                                     | 187 098                              |
| The liability is unfunded.   |  |                                      |

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

|   |        | 2018<br>R                      | 2017<br>R            |              |
|---|--------|--------------------------------|----------------------|--------------|
| <b>Sensitivity Analysis on the Current-service and Interest Costs</b> |        |                                |                      |              |
| Assumption  | Change | Current<br>Service Cost<br>(R) | Interest Cost<br>(R) | Total<br>(R) |
| Discount Assumptions  |        | 29 888                         | 29 871               | 59 759       |
| Discount Rate   | +0%    | 32 030                         | 30 027               | 62 057       |
| Discount Rate   | -1%    | 26 049                         | 24 730               | 50 779       |
| Discount Rate   | +1%    | 32 030                         | 30 027               | 62 057       |
| Discount Rate   | -2%    | 24 049                         | 24 730               | 48 779       |
| Discount Rate   | +2%    | 34 030                         | 30 027               | 64 057       |
| Discount Rate   | -3%    | 22 049                         | 24 730               | 46 779       |
| Discount Rate   | +3%    | 36 030                         | 30 027               | 66 057       |
| Discount Rate   | -4%    | 20 049                         | 24 730               | 44 779       |
| Discount Rate   | +4%    | 38 030                         | 30 027               | 68 057       |
| Discount Rate   | -5%    | 18 049                         | 24 730               | 42 779       |
| Discount Rate   | +5%    | 40 030                         | 30 027               | 70 057       |
| Discount Rate   | -6%    | 16 049                         | 24 730               | 40 779       |
| Discount Rate   | +6%    | 42 030                         | 30 027               | 72 057       |
| Discount Rate   | -7%    | 14 049                         | 24 730               | 38 779       |
| Discount Rate   | +7%    | 44 030                         | 30 027               | 74 057       |
| Discount Rate   | -8%    | 12 049                         | 24 730               | 36 779       |
| Discount Rate   | +8%    | 46 030                         | 30 027               | 76 057       |
| Discount Rate   | -9%    | 10 049                         | 24 730               | 34 779       |
| Discount Rate   | +9%    | 48 030                         | 30 027               | 78 057       |
| Discount Rate   | -10%   | 8 049                          | 24 730               | 32 779       |
| Discount Rate   | +10%   | 50 030                         | 30 027               | 80 057       |
| Discount Rate   | -11%   | 6 049                          | 24 730               | 30 779       |
| Discount Rate   | +11%   | 52 030                         | 30 027               | 82 057       |
| Discount Rate   | -12%   | 4 049                          | 24 730               | 28 779       |
| Discount Rate   | +12%   | 54 030                         | 30 027               | 84 057       |
| Discount Rate   | -13%   | 2 049                          | 24 730               | 26 779       |
| Discount Rate   | +13%   | 56 030                         | 30 027               | 86 057       |
| Discount Rate   | -14%   | 0 049                          | 24 730               | 24 779       |
| Discount Rate   | +14%   | 58 030                         | 30 027               | 88 057       |
| Discount Rate   | -15%   | (2 049)                        | 24 730               | 22 779       |
| Discount Rate   | +15%   | 60 030                         | 30 027               | 90 057       |
| Discount Rate   | -16%   | (4 049)                        | 24 730               | 20 779       |
| Discount Rate   | +16%   | 62 030                         | 30 027               | 92 057       |
| Discount Rate   | -17%   | (6 049)                        | 24 730               | 18 779       |
| Discount Rate   | +17%   | 64 030                         | 30 027               | 94 057       |
| Discount Rate   | -18%   | (8 049)                        | 24 730               | 16 779       |
| Discount Rate   | +18%   | 66 030                         | 30 027               | 96 057       |
| Discount Rate   | -19%   | (10 049)                       | 24 730               | 14 779       |
| Discount Rate   | +19%   | 68 030                         | 30 027               | 98 057       |
| Discount Rate   | -20%   | (12 049)                       | 24 730               | 12 779       |
| Discount Rate   | +20%   | 70 030                         | 30 027               | 100 057      |

**10.3 Long Service Awards**

The Long Service Award plan is defined benefit plan. Long service awards were calculated for 932 employees (2017: 937), but they were not all eligible for payment in the same year.

Key actuarial assumptions used:

**a) Rate of interest**

|  |      |      |
|--|------|------|
| Discount rate  | 8.35 | 8.35 |
| General Salary Inflation (assumed)   | 5.80 | 6.00 |
| Real Effective Discount Rate applied to salary-related Long Service Awards | 2.22 | 2.06 |

The discount rate used is a composite of all government bonds and is calculated using a technique known as "substantiating".

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

|  | 2018<br>R                         | 2017<br>R<br>Present value of<br>fund obligations<br>R |
|--|-----------------------------------|--|
| The liability in respect of past service recognised in the Statement of Financial Position is as follows:                |                                   |  |
| 30 June 2018   |                                   | 7 481 036  |
| 30 June 2017   |                                   | 5 269 980  |
| 30 June 2016   |                                   | 6 715 080  |
| 30 June 2015   |                                   | 7 000 341  |
| 30 June 2014   |                                   | 4 491 157  |
| 30 June 2013   |                                   | 3 608 985  |
| 30 June 2012   |                                   | 2 726 291  |
| The Municipality has elected to recognise the full increase in the defined benefit liability immediately as per GRAP 25. |                                   |  |
|  | Liabilities<br>(gain) / loss<br>R | Assets<br>Gain / (loss)<br>R                           |
| Experience adjustments were calculated as follows:   |                                   |  |
| 30 June 2018   | 172 051                           |  |
| 30 June 2017   | 269 092                           |  |
| 30 June 2016   | (340 079)                         |  |
| 30 June 2015   | 277 226                           |  |
| 30 June 2014   | (4 804)                           |  |
| 30 June 2013   | 982 483                           |  |
| 30 June 2012   | 529 869                           |  |

**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

|   | 2018<br>R        | 2017<br>R        |
|---|------------------|------------------|
| <b>Reconciliation of present value of bond obligations:</b>                   |                  |                  |
| Present value of bond obligations at the beginning of the year                | 5 398 935        | 4 719 680        |
| Total cash payments   | 2 470 962        | 642 469          |
| Current service cost (paid partly)  | 2 048 236        | 726 804          |
| Interest cost   | 417 692          | 379 222          |
| Bond Issued   | (289 963)        | (233 885)        |
| Amortisation of premium   | (160 970)        | (48 969)         |
| Present value of bond obligations at the end of the year                      | 7 481 636        | 5 398 935        |
| <b>100%</b> Transfer of current portion to Current Employee Benefits (note 4) | (2 207 963)      | (625 341)        |
| <b>Balance 30 June</b>  | <b>5 273 673</b> | <b>4 773 594</b> |
| The liability is unfunded   |                  |                  |

**Sensitivity Analysis on the Current Service and Interest Costs**

| Assumption               | Change   | Current Service Cost (R) | Interest Cost (R) | Total (R) | % Change |
|--------------------------|----------|--------------------------|-------------------|-----------|----------|
| Cost of Accruals         |          | 805 265                  | 617 362           | 1 422 627 |          |
| General salary inflation | +1%      | 888 027                  | 688 886           | 1 576 913 | 9%       |
| General salary inflation | -1%      | 726 503                  | 548 838           | 1 275 341 | -9%      |
| Discount rate            | +0%      | 726 503                  | 617 362           | 1 343 865 | -5%      |
| Discount rate            | -0%      | 888 027                  | 688 886           | 1 576 913 | 9%       |
| Assessment rate          | +2 years | 100 000                  | 100 000           | 200 000   | 14%      |
| Assessment rate          | -2 years | 500 000                  | 500 000           | 1 000 000 | 70%      |
| Withdrawal Rate          | +5%      | 1 000 000                | 100 000           | 1 100 000 | 77%      |
| Withdrawal Rate          | -5%      | 500 000                  | 50 000            | 550 000   | -39%     |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|      |      |
|------|------|
| 2016 | 2017 |
| R    | R    |

### 21.4 Retirement Funds

The Cape Retirement Fund is a multi-employer plan. This means that there are multiple local authorities that participate in this fund. In terms of GRAP 25, a multi-employer plan is defined as defined benefit plans. GRAP 25 also states that when insufficient information is available to use defined benefit accounting for a multi-employer plan, a Municipality will account for the plan as if it were a defined contribution plan.

The Municipality requested detailed completed and pensioner information as well as information on the Municipality's share of the Retirement Fund's assets from the fund administrator. The fund administrator confirmed that assets of the Retirement Fund are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claimed that the pensioner data is confidential and were not willing to share the information with the Municipality. Without detailed pensioner data, the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

Therefore, although the Cape Retirement Fund is defined as a defined benefit plan, it will be accounted for as a defined contribution plan.

### CAPE RETIREMENT FUND

Major contributions payable to it by members and 25% by Council. The last actuarial valuation performed for the year ended 30 June 2013 revealed that the fund was in a sound financial position with a funding level of 100.2% (30 June 2012 - 95.7%).

## JOE GQABI DISTRICT MUNICIPALITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018          | 2017        |
|---|---------------|-------------|
|   | R             | R           |
| Contributions paid recognised in the Statement of Financial Performance | 131 858 526   | 9 588 889   |
|   | (131 858 526) | (9 588 889) |

#### DEFINED CONTRIBUTION FUNDS

Council contributes to the Government Employees Pension Fund, Municipal Council Pension Fund, MINTU Retirement Fund, SAMWU National Pension Fund and SALA Pension Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current market costs.

Contributions paid recognised in the Statement of Financial Performance

|                                   |                  |                  |
|-----------------------------------|------------------|------------------|
| Government Employees Pension Fund | 626 400          | 952 406          |
| Municipal Council Pension Fund    | 440 711          | 853 551          |
| MINTU Retirement Fund             | 1 595 835        | 426 849          |
| SAMWU National Pension Fund       | 2 718 957        | 2 782 457        |
| SALA Pension Fund                 | 1 489 983        | 1 429 626        |
|                                   | <u>7 222 984</u> | <u>5 425 929</u> |



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R         | 2017<br>R         |
|---|-------------------|-------------------|
| <b>12 CURRENT EMPLOYEE BENEFITS</b>   |                   |                   |
| Staff Bonuses Accrued   | 5 730 246         | 5 104 624         |
| Provision for Staff Leave   | 15 800 828        | 13 464 815        |
| Provision for Performance Bonuses   | 5 814 809         | 3 371 716         |
| Other Provisions  | 582 342           | 582 342           |
| Current Portion of Non-Current Employee Benefits  | 2 940 382         | 2 433 402         |
| Current Portion of Post Retirement Benefits - note 11   | 1 520 728         | 1 395 827         |
| Current Portion of Ex Gratia Gratuities - note 11   | 211 976           | 188 234           |
| Current Portion of Long-Service Awards - note 11  | 1 207 683         | 829 343           |
| <b>Total Current Employee Benefits</b>  | <b>30 858 656</b> | <b>24 936 899</b> |
| The movement in current employee benefits is reconciled as follows:   |                   |                   |
| <b>Staff Bonuses Accrued</b>  |                   |                   |
| Balance at beginning of year  | 5 020 657         | 4 427 359         |
| Contribution to current portion   | 10 625 420        | 9 890 073         |
| Expenditure incurred  | (30 009 799)      | (9 280 775)       |
| <b>Balance at end of year</b>   | <b>5 636 278</b>  | <b>5 020 657</b>  |
| Bonuses are being paid to all municipal staff, excluding Directors Technical Services and Community Services who have structured their packages differently. The balance at year end represents the portion of the bonus that have already worked for the current salary cycle. This bonus will be paid out in December 2018 or pro-rata when employment is terminated. |                   |                   |
| <b>Provision for Staff Leave</b>  |                   |                   |
| Balance at beginning of year  | 13 464 815        | 11 450 111        |
| Contribution to current portion   | 3 020 280         | 3 395 956         |
| Expenditure incurred  | (1 468 268)       | (1 370 851)       |
| <b>Balance at end of year</b>   | <b>15 000 828</b> | <b>13 464 815</b> |
| Staff leave is accrued to employees according to a collective agreement. Provision is made for the full cost of accrued leave at the reporting date. This provision will be realised as employees take leave or when employment is terminated.  |                   |                   |
| <b>Provision for Performance Bonuses</b>  |                   |                   |
| Balance at beginning of year  | 3 371 716         | 4 427 359         |
| Contribution to current portion   | 5 057 942         | 1 632 097         |
| Expenditure incurred  | (2 614 849)       | (2 687 742)       |
| <b>Balance at end of year</b>   | <b>5 814 809</b>  | <b>3 371 716</b>  |
| Performance bonuses are being provided for and only paid to the Municipal Manager, Directors and middle management after an evaluation of performance by the council. During the year under review, performance bonuses were paid for the   |                   |                   |
| <b>Other Provisions</b>   |                   |                   |
| Balance at beginning of year  | 582 342           | 522 849           |
| Finance charges   |                   | 59 492            |
| <b>Balance at year end</b>  | <b>582 342</b>    | <b>582 342</b>    |
| Other provisions are non-recurring provisions which consists out of the following at year end:  |                   |                   |
| - Shortfall in normal earnings of Cape Joint Pension Fund   |                   |                   |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R          | 2017<br>R          |
|--|--------------------|--------------------|
| <p>It was reported that the established investment return of the fund for the 2018 financial year was -0.94%. Local authorities, including the Municipality, associated with the fund are under an obligation to contribute pro-rata to the fund such a sum as will enable up for any shortfall between the actual earnings and an investment return of 5.5% on all its assets.</p>  |                    |                    |
| <b>13 CONSUMER DEPOSITS</b>  |                    |                    |
| Water  | 957 847            | 934 536            |
| <b>Total Consumer Deposits</b>   | <b>957 847</b>     | <b>934 536</b>     |
| <p>The fair value of consumer deposits approximates their carrying value. Interest is not paid on these amounts.</p> <p>Consumer deposits were transferred from the local Municipalities and not all accounts had consumer deposits. All new accounts however are being charged a consumer deposit when consumers do open the account themselves, in cases where the municipality opened an account to ensure completeness of billing, deposits might not have been paid.</p>  |                    |                    |
| <b>14 PAYABLES FROM EXCHANGE TRANSACTIONS</b>  |                    |                    |
| Trade Payables   | 92 447 712         | 83 663 206         |
| Retentions - On capital projects   | 7 334 364          | 3 852 015          |
| Interest Accrued   | 200 547            | 248 364            |
| Other Payables   | 1 928 061          | 28 468             |
| Unallocated Receipts   | 121 748            | 83 595             |
| Payments received in advance   | 1 805 621          | 9 911 842          |
| Working for Water  | -                  | 489 743            |
| Working for Wetlands   | -                  | 0                  |
| Joe Gqabi Economic Development Agency (SoC) Ltd  | 105 535            | 509 742            |
| Local Municipalities   | 4 976 389          | 5 237 202          |
| Blundini Local Municipality  | 456 572            | 459 972            |
| Soggu Local Municipality   | 4 519 817          | 4 780 630          |
| <b>Total Payables from Exchange Transactions</b>   | <b>148 750 019</b> | <b>103 449 113</b> |
| Balance previously reported  |                    | 97 331 325         |
| Correction due to invoices received during 2017/2018 - Trade payables  |                    |                    |
| Restatement of Monies paid over by the Agency set off against expenditure incurred   |                    | 509 742            |
| Restatement for retentions not previously recorded under payables  |                    | 3 092 015          |
| Restatement of trade payables due to the duplication of an order subsequently corrected  |                    | (149 450)          |
| <b>Restated balance</b>  |                    | <b>101 583 633</b> |
| <p>Payables are being recognised net of any discounts.</p> <p>Payables are being paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of payables on initial recognition is not deemed necessary.</p> <p>The carrying value of payables approximates its fair value.</p> <p>Deposits amounting to R144 961 (2017 - R144 961) serve as security for Payables. The remainder of Payables are unsecured.</p> |                    |                    |
| <b>15 LONG-TERM LIABILITIES</b>  |                    |                    |
| Annuity Loans - At amortised cost  | 9 091 193          | 12 616 349         |
| Less: Current Portion transferred to Current Liabilities   | (1 504 875)        | (5 947 944)        |
| <b>Total - At amortised cost using the effective interest rate method</b>  | <b>7 586 318</b>   | <b>6 667 005</b>   |
| <p>Annuity loans at amortised cost are calculated at 10.00% - 11.52% interest rate, with the first maturity date of 30 June 2016 and the last maturity date of 31 December 2024. The loans are for</p>   |                    |                    |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

the main municipal building in Gertby East, water reticulation and sanitation infrastructure. A new finance lease was taken up with ABSA for twenty five (25) bakkies and three (3) TLB's in the water service department and the period is 3 years only.

Included in Non-current Investments as per note 1 is an amount of R1 677 455 (2017 : R1 580 455) held as guarantee by the DBSA.

### The obligations under annuity loans are scheduled below:

#### Amounts payable under annuity loans:

|                                      | 2018<br>R        | 2017<br>R         |
|--------------------------------------|------------------|-------------------|
| Payable within one year              | 2 218 606        | 2 181 587         |
| Payable within two to five years     | 5 200 717        | 6 526 032         |
| Payable after five years             | 1 453 275        | 2 422 126         |
|                                      | <u>8 872 600</u> | <u>11 129 745</u> |
| Less: Future finance obligations     | (2 264 482)      | (3 043 415)       |
| Present value of annuity obligations | <u>6 608 118</u> | <u>8 086 330</u>  |

### The obligations under finance leases are scheduled below:

#### Amounts payable under annuity loans:

|                                      | 2018<br>R        | 2017<br>R        |
|--------------------------------------|------------------|------------------|
| Payable within one year              | 1 489 941        | 4 605 973        |
| Payable within two to five years     | 1 108 216        | -                |
| Payable after five years             | -                | -                |
|                                      | <u>2 597 157</u> | <u>4 605 973</u> |
| Less: Future finance obligations     | (374 276)        | (77 054)         |
| Present value of annuity obligations | <u>2 222 881</u> | <u>4 528 919</u> |

## 17 GOVERNMENT GRANTS AND SUBSIDIES

|  |                    |                    |
|--|--------------------|--------------------|
| Unconditional Grants                         | 239 266 500        | 234 890 320        |
| Equitable Share                              | 239 160 000        | 223 621 000        |
| LG Sets                                      | 106 500            | 1 269 320          |
| Conditional Grants                           | 267 977 058        | 340 768 305        |
| EPWP Programme                               | 2 227 000          | 1 474 000          |
| Finance Management Grant (FMG)               | 1 249 934          | 1 249 904          |
| Municipal Infrastructure Grant (MIG)         | 149 893 215        | 151 574 709        |
| Water Services Infrastructure Grant (WSIG)   | 62 613 576         | 71 827 698         |
| Regional Bulk Infrastructure Grant           | 6 000 000          | 9 728 835          |
| Provincial Treasury drought relief programme | 48 724 544         | 74 608 740         |
| Public Works - Special Programme             | 23 226 495         | 24 081 747         |
| Rural Roads Asset Management Grant           | 2 384 464          | 1 256 300          |
| Department of Human Settlements              | -                  | 4 546 291          |
| EC Crime Amalgamation support grant          | -                  | 500 000            |
| MIS Asset Management                         | 957 400            | -                  |
| Total Government Grants and Subsidies        | <u>537 243 558</u> | <u>545 638 625</u> |
| Government Grants and Subsidies - Capital    | 182 485 746        | 250 801 095        |
| Government Grants and Subsidies - Operating  | 604 807 810        | 314 836 629        |

The Municipality does not expect any significant changes to the level of grants.

Balance previously reported 30 June 2017

- Correction on under statement of operating conditions (ref. on MIG expenditure)

Restated balance

562 113 799

2 504 826

565 638 625

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R          | 2017<br>R          |
|--|--------------------|--------------------|
| <u>Revenue recognised per vote as required by Section 123 (c) of the MFMA:</u> |                    |                    |
| Equitable share  | 219 460 000        | 219 621 000        |
| Management Services  | 957 400            | 900 000            |
| Financial Services   | 1 249 950          | 1 249 984          |
| Corporate Services   | 106 500            | 1 229 320          |
| Technical Services   | 295 769 700        | 336 513 482        |
| Community Services   | -                  | -                  |
| Joe Gqabi Economic Development Agency (Soc) Ltd                                | -                  | -                  |
|  | <u>597 243 550</u> | <u>568 113 786</u> |

### 17.02 Equitable share

|  |               |               |
|--|---------------|---------------|
| Opening balance  | -             | -             |
| Grants received  | 232 532 000   | 219 621 000   |
| Conditions met - Operating                                     | (232 532 000) | (219 621 000) |
| Conditions met - Capital                                       | -             | -             |
| Grant funds allocated for Unapproved rollovers                 | -             | -             |
| Conditions still to be met/(Grant expenditure to be recovered) | <u>-</u>      | <u>-</u>      |

This Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act No. 108 of 1996) to the Municipality by the National Treasury.

### 17.02 Finance Management Grant (FMG)

|                                      |             |              |
|--------------------------------------|-------------|--------------|
| Opening balance                      | (123)       | (129)        |
| Grants received                      | 1 250 000   | 1 250 000    |
| Conditions met - Operating           | (1 249 950) | (1 249 984)  |
| Conditions met - Capital             | -           | -            |
| Monies returned to National Treasury | -           | -            |
| Conditions still to be met           | <u>(82)</u> | <u>(129)</u> |

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act, No 56 of 2003 (MFMA). The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

### 17.03 Regional Bulk Infrastructure Grant (RBIG)

|                                      |                  |                  |
|--------------------------------------|------------------|------------------|
| Opening balance                      | 2 600 890        | 4 335 910        |
| Grants received                      | 6 000 000        | 16 573 434       |
| Conditions met - Operating           | -                | -                |
| Conditions met - Capital             | 6 000 000        | 9 728 835        |
| Monies returned to National Treasury | -                | -                |
| Conditions still to be met           | <u>2 600 890</u> | <u>2 608 890</u> |

The purpose of this grant is to support municipalities in implementing new systems as provided in the Municipal Systems Act, Municipal Structures Act and other relevant local government policy and legislation so that they can carry out municipal functions effectively.

### 17.04 Municipal Infrastructure Grant (MIG)

|                            |               |              |
|----------------------------|---------------|--------------|
| Opening balance            | 72            | (27 219)     |
| Grants received            | 159 725 000   | 151 602 000  |
| Conditions met - Operating | (159 712 536) | (61 484 278) |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R    | 2017<br>R    |
|--|--------------|--------------|
| Conditions met - Capital   | (46 480 683) | (87 585 805) |
| Human settlement project now funded by MIG                                       | (10 031 781) |              |
| Correction of understatement of Conditions met 2016/2017                         |              | (1 504 836)  |
| Conditions still to be met   | -            | 72,000,000   |
| Balance previously reported 30 June 2017   |              | 2 504 898    |
| - Correction of previously under statement of operating conditions met 2015/2016 |              | -            |
| Repeated balance   |              | 2 504 898    |

The vision of the MIG programme is to provide all South Africans with at least a basic level of service through the provision of grant finance aimed at covering the capital cost of basic infrastructure for the poor. This also includes the rehabilitation and upgrading of existing infrastructure. The Municipality's programme covers both Sanitation and Water projects.

### 17.05 Public Works - Special Programme

|                                   |              |              |
|-----------------------------------|--------------|--------------|
| Opening balance                   | (5 088 757)  | (3 883 893)  |
| Grants received                   | 19 288 826   | 22 796 884   |
| Conditions met - Operating        | (23 236 495) | (24 001 747) |
| Conditions met - Capital          |              |              |
| Grant expenditure to be recovered | (9 036 426)  | (5 088 757)  |

This grant is used for the maintenance of gravel roads in the Gericap and Makitswai parts of the district. At times special projects are also allocated to the Municipality by the Department of Roads and Public Works in other parts of the district.

### 17.06 Water Services Operating Subsidy

|                                      |     |         |
|--------------------------------------|-----|---------|
| Opening balance                      | 558 | 998 558 |
| Grants received                      | -   | -       |
| Conditions met - Operating           | -   | -       |
| Conditions met - Capital             | -   | -       |
| Monies returned to National Treasury | -   | 998 000 |
| Conditions still to be met           | 558 | 558     |

This grant is used for the refurbishment of water infrastructure.

### 17.07 Department of Human Settlement

|  |              |              |
|--|--------------|--------------|
| Opening balance  | (10 031 781) | (5 485 490)  |
| Grants received  | -            | -            |
| Conditions met - Operating                                     | -            | -            |
| Conditions met - Capital                                       | -            | (4 546 201)  |
| Human settlement project now funded by MIG                     | 10 031 781   | -            |
| Conditions still to be met/(Grant expenditure to be recovered) | (0)          | (10 031 781) |

This grant is used to facilitate the planning, acceleration and implementation of various projects that will ensure water supply to communities identified as not receiving a basic water supply service.

### 17.08 Water Services Infrastructure grant

|                            |              |              |
|----------------------------|--------------|--------------|
| Opening balance            | 302          | -            |
| Grants received            | 64 509 000   | 71 828 000   |
| Conditions met - Operating | (32 183 456) | -            |
| Conditions met - Capital   | (31 480 121) | (71 827 838) |
| Conditions still to be met | 886 725      | 302          |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R    | 2017<br>R    |
|---|--------------|--------------|
| This grant is used to provide specific capital funding for the water service infrastructure. This grant replace the previous known Water Services Operating grant and Municipal Water Infrastructure grant. |              |              |
| <b>17.09 PT Drought programme</b>   |              |              |
| Opening balance   | (4 887 126)  | (12 966 954) |
| Grants received   | 54 833 872   | 82 988 588   |
| Conditions met - Operating  | -            | -            |
| Conditions met - Capital  | (48 724 968) | (74 608 740) |
| Foreign Exchange Gains  | -            | -            |
| Grant expenditure to be recovered   | 1 221 001    | (4 687 126)  |

This grant is used to provide for the upgrade of critical Water and Sanitation Infrastructure.

|                                   |             |             |
|-----------------------------------|-------------|-------------|
| <b>17.10 Other Grants</b>         |             |             |
| Opening balance                   | 163 189     | (2 152 772) |
| Grants received                   | 4 730 715   | 6 776 580   |
| Conditions met - Operating        | (3 368 364) | (4 459 619) |
| Conditions met - Capital          | (2 217 000) | -           |
| Grant expenditure to be recovered | (5 575 364) | 163 189     |

Other Grants consist of the following and is utilized as follows:

### EPWP Programme

Incentive grant for creating jobs, whereby unemployed persons get employed on projects to create employment.

### Rural Roads Asset Management Grant (Public Transport)

This grant is to determine the extent of the municipal road network, the condition and maintenance requirements.

### LG Setu

This grant is used to assist with the training needs of the Municipality.

### **Total Grants**

|   |               |               |
|---|---------------|---------------|
| Opening balance                                 | (17 234 977)  | (17 733 818)  |
| Grants received                                 | 542 899 613   | 577 135 486   |
| Conditions met - Operating                      | (105 753 830) | (314 316 629) |
| Conditions met - Capital                        | (134 862 748) | (248 297 169) |
| Put back to Treasury/Provided for as impairment | -             | (998 600)     |
| Grant expenditure to be recovered               | (4 990 522)   | (14 730 150)  |



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R          | 2017<br>R          |
|---|--------------------|--------------------|
| <u>Disclosed as follows as per note 6</u>   |                    |                    |
| Unspent Conditional Government Grants and Receipts  | 2 776 738          | 4 828 408          |
| Unpaid Conditional Government Grants and Receipts   | 14 395 662         | 22 183 551         |
| <b>18 PUBLIC CONTRIBUTIONS AND DONATIONS</b>  |                    |                    |
| Donated printers received   | 0                  | 96 761             |
|   | <u>-</u>           | <u>36 761</u>      |
| Public contributions previously recognised  |                    | -                  |
| Recognition of printers donated to the institution at market value  |                    | 36 761             |
| Restated balance  |                    | <u>36 761</u>      |
| <b>19 ACTUARIAL (GAINS)/LOSS</b>  |                    |                    |
| Post Retirement Medical Obligations - Refer to note 11.1  | (7 336 936)        | (6 435 398)        |
| Ex Gratia Gratuities - Refer to note 11.2   | (63 758)           | 8 610              |
| Long Service Awards - Refer to note 11.3  | (402 923)          | (48 189)           |
| <b>Total Actuarial (Gains)/Losses</b>   | <u>(7 803 617)</u> | <u>(6 474 977)</u> |
| Actuarial gains or losses are calculated at year-end when the actuarial valuation is performed.   |                    |                    |
| <b>20 REVERSAL OF IMPAIRMENTS</b>   |                    |                    |
| Investment in Municipal Entity - note 12  |                    |                    |
| <b>Total Reversal of Impairments</b>  | <u>-</u>           | <u>-</u>           |
| <b>21 SERVICE CHARGES</b>   |                    |                    |
| Water   | 67 978 514         | 77 982 930         |
| Sewerage and Sanitation Charges   | 30 592 954         | 37 527 883         |
|   | <u>98 571 468</u>  | <u>115 510 813</u> |
| Less: Rebates (including free basic services for indigents)   | (22 433 018)       | (23 419 578)       |
| <b>Total Service Charges</b>  | <u>77 137 450</u>  | <u>91 471 035</u>  |
| Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission. |                    |                    |
| <b>22 GOVERNMENT SERVICES</b>   |                    |                    |
| Washing for Water   | -                  | 982 388            |
| Washing for Wastewaters   | 5 053 154          | 9 123 297          |
| <b>Total Government Services</b>  | <u>5 053 154</u>   | <u>10 105 685</u>  |
| <b>23 INTEREST EARNED - EXTERNAL INVESTMENTS</b>  |                    |                    |
| Cash Investment Deposits  | 3 091 894          | 2 794 759          |
| Primary Bank Accounts   | 928 361            | 514 697            |
| Flood Deposits  | -                  | -                  |
| <b>Total Interest Earned - External Investments</b>   | <u>4 020 255</u>   | <u>3 309 457</u>   |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R          | 2017<br>R          |
|---|--------------------|--------------------|
| <b>24 INTEREST EARNED - OUTSTANDING DEBTORS</b>                                   |                    |                    |
| Water Debtors   | 15 727 855         | 15 208 257         |
| Sewerage Debtors  | 6 306 547          | 18 794 115         |
| <b>Total Interest Earned - Outstanding Debtors</b>                                | <b>22 124 400</b>  | <b>24 002 370</b>  |
| <b>25 OTHER INCOME</b>  |                    |                    |
| Sundry Income   | 946 857            | 331 281            |
| Administration fee  | 395 504            | 470 623            |
| Rental of Facilities and Equipment  | 9 252              | 15 332             |
| Insurance claims  | 360 606            | 194 046            |
| <b>Total Other Income</b>   | <b>1 714 020</b>   | <b>981 182</b>     |
| Public contributions previously recognised  |                    | 968 975            |
| Recognition of Insurance Income due to replacement of asset paid for by Insurance |                    | 12 307             |
| Restated balance  |                    | 981 182            |
| <b>26 EMPLOYEE RELATED COSTS</b>  |                    |                    |
| Bonuses   | 10 625 420         | 10 236 981         |
| Contribution to current employee benefits - Staff Leave - Note 12                 | 3 604 280          | 3 385 056          |
| Contribution to non-current employee benefits - Long Service Awards - Note 12     | 2 048 224          | 706 534            |
| Contribution to non-current employee benefits - Past Retirement Medical - Note 12 | 2 507 439          | 2 601 983          |
| Contribution to non-current employee benefits - Ex Gratia Gratuities - Note 12    | 33 885             | 29 779             |
| Contributions for UIF, Pensions and Medical Aids                                  | 29 109 370         | 25 834 510         |
| Salaries and Wages  | 128 723 044        | 117 929 759        |
| Housing Benefits and Allowances   | 1 310 253          | 1 303 823          |
| Overtime Payments   | 13 041 442         | 10 717 989         |
| Performance Bonuses   | 5 057 542          | 1 632 037          |
| Travel, Motor Car, Telephone, Subsistence and Other Allowances                    | 13 472 267         | 13 430 976         |
| Unemployment Fund   | -                  | -                  |
| Workmen's Compensation Contributions  | -                  | -                  |
| <b>Total Employee Related Costs</b>   | <b>210 133 486</b> | <b>186 898 696</b> |

### REMUNERATION OF MANAGEMENT PERSONNEL

The Municipal Manager and all Section 57 Managers as well as those directly reporting to the Municipal are appointed on a 5-year fixed contract.

Municipal Manager - Z A Williams

|   |                  |                  |
|---|------------------|------------------|
| Salary and other allowances                     | 1 634 728        | 1 558 581        |
| Performance Bonuses 13-14                       | -                | 210 094          |
| Performance bonuses 14-15                       | -                | 224 359          |
| Performance Bonuses 15-16                       | 322 757          | -                |
| Travel Allowance                                | -                | 64 300           |
| Telephone allowance                             | 34 200           | 33 000           |
| Contributions to UIF, Medical and Pension Funds | 200 574          | 247 400          |
| <b>Total</b>                                    | <b>2 252 259</b> | <b>2 339 034</b> |

Director Technical Services - R J Fortuin

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018             | 2017             |
|---|------------------|------------------|
|   | R                | R                |
| Salary and other allowances                     | 1 329 134        | 1 403 689        |
| Performance Bonus 13-14                         | -                | 175 580          |
| Performance Bonus 14-15                         | -                | 190 705          |
| Performance Bonus 15-16                         | 274 344          | -                |
| Travel Allowance                                | 233 480          | 170 220          |
| Telephone allowance                             | 29 600           | 19 200           |
| Contributions to UIF, Medical and Pension Funds | 105 131          | 92 493           |
| <b>Total</b>                                    | <b>1 959 689</b> | <b>1 954 251</b> |

### Director Corporate Services - H Z Jongile

|   |                  |                  |
|---|------------------|------------------|
| Salary and other allowances                     | 1 262 083        | 1 305 784        |
| Performance Bonus 13-14                         | -                | 153 049          |
| Performance Bonus 14-15                         | -                | 150 705          |
| Performance Bonus 15-16                         | 274 344          | -                |
| Travel Allowance                                | 84 000           | 84 000           |
| Telephone allowance                             | 20 600           | 19 200           |
| Contributions to UIF, Medical and Pension Funds | 205 583          | 93 940           |
| <b>Total</b>                                    | <b>1 946 609</b> | <b>2 047 558</b> |

An Acting Chief Financial Officer has been appointed effective 15 April 2015 until the position will be filled.

### Acting Director Financial Services - S du Toit - Effective 15 April 2015

|   |                  |                  |
|---|------------------|------------------|
| Salary and other allowances                     | 1 150 414        | 1 143 345        |
| Performance bonus 14-15                         | -                | 22 709           |
| Performance Bonus 15-16                         | 235 795          | -                |
| Acting allowance                                | 142 223          | 135 731          |
| Travel Allowance                                | 10 000           | 120 000          |
| Telephone allowance                             | 20 400           | 19 200           |
| Contributions to UIF, Medical and Pension Funds | 61 835           | 57 278           |
| <b>Total</b>                                    | <b>1 620 667</b> | <b>1 498 253</b> |

### Director Community Services - F J Sephton

|   |                  |                  |
|---|------------------|------------------|
| Salary and other allowances                     | 1 487 197        | 1 579 425        |
| Performance Bonus 13-14                         | -                | 175 580          |
| Performance bonus 14-15                         | -                | 190 705          |
| Performance Bonus 15-16                         | 274 344          | -                |
| Travel Allowance                                | 156 000          | 156 000          |
| Telephone allowance                             | 20 400           | 19 200           |
| Contributions to UIF, Medical and Pension Funds | 21 036           | 32 924           |
| <b>Total</b>                                    | <b>1 959 076</b> | <b>2 143 734</b> |

### Chief Operations Officer - N Msimani

|   |                  |                  |
|---|------------------|------------------|
| Salary and other allowances                     | 1 084 433        | 1 013 046        |
| Performance Bonus 13-14                         | -                | 153 990          |
| Performance bonus 14-15                         | -                | 162 210          |
| Performance Bonus 15-16                         | 353 485          | -                |
| Travel Allowance                                | 50 000           | 50 000           |
| Telephone allowance                             | 257 401          | 263 362          |
| Contributions to UIF, Medical and Pension Funds | -                | -                |
| <b>Total</b>                                    | <b>1 695 329</b> | <b>1 620 507</b> |

### Manager Water Service provision Manager - D Lantwana

|   |                  |                  |
|---|------------------|------------------|
| Salary and other allowances                     | 946 904          | 883 090          |
| Performance bonuses 14-15                       | -                | 67 200           |
| Performance Bonus 15-16                         | 193 344          | -                |
| Contributions to UIF, Medical and Pension Funds | 232 136          | 215 178          |
| <b>Total</b>                                    | <b>1 372 474</b> | <b>1 165 758</b> |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018             | 2017             |
|--|------------------|------------------|
|  | R                | R                |
| <b>27 REMUNERATION OF COUNCILLORS</b>              |                  |                  |
| Councillors  | 5 164 846        | 4 584 264        |
| Councillors' Pension and Medical Aid Contributions | 788 486          | 517 640          |
| <b>Total Remuneration of Councillors</b>           | <b>5 953 332</b> | <b>5 101 904</b> |

### In-kind Benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time Councillors. Each is provided with an office and shared secretarial support at the cost of the Municipality. The Executive Mayor and the Speaker may utilize official Council transportation when engaged in official duties.

|                                       | Remuneration     | Contributions  | Total            |
|---------------------------------------|------------------|----------------|------------------|
| <b>2018</b>                           |                  |                |                  |
| Members of the Mayoral Committee      | 3 587 598        | 666 052        | 4 253 650        |
| ZI Dlamini - Executive Mayor          | 715 524          | 361 939        | 1 077 463        |
| TZ Mnyake - Speaker                   | 621 650          | 89 110         | 710 760          |
| EM Luthando - Portfolio Head: Finance | 537 635          | 139 082        | 676 717          |
| D Mkhomo - Portfolio Head: Commu      | 588 355          | 79 653         | 668 008          |
| S Mei - Portfolio Head: Technic       | 567 470          | 99 143         | 666 613          |
| L Tsheni - Portfolio Head: Corpora    | 566 926          | 106 939        | 673 865          |
| Proportional elected Councillors      | 1 490 100        | 121 903        | 1 612 003        |
| NU Rikwana                            | 385 360          | 40 507         | 425 867          |
| N Ngwenand                            | 271 630          | 35 690         | 307 320          |
| AM van Zyl                            | 316 956          | 1 739          | 318 695          |
| M Vilane                              | 320 059          | 3 059          | 323 118          |
| Representative Councillors            | 85 059           | 881            | 85 940           |
| <b>Total Councillors Remuneration</b> | <b>5 164 846</b> | <b>788 486</b> | <b>5 953 332</b> |

|                                       |                  |                |                  |
|---------------------------------------|------------------|----------------|------------------|
| <b>2017</b>                           |                  |                |                  |
| Members of the Mayoral Committee      | 3 310 450        | 516 115        | 3 826 565        |
| ZI Dlamini - Executive Mayor          | 679 504          | 182 754        | 862 258          |
| TZ Mnyake - Speaker                   | 505 363          | 40 651         | 546 014          |
| EM Luthando - Portfolio Head: Finance | 485 151          | 94 903         | 580 054          |
| D Mkhomo - Portfolio Head: Commu      | 547 827          | 53 972         | 601 800          |
| S Mei - Portfolio Head: Technic       | 539 643          | 95 363         | 635 006          |
| L Tsheni - Portfolio Head: Corpora    | 462 744          | 99 582         | 562 326          |
| Proportional elected Councillors      | 1 197 548        | 80 460         | 1 278 008        |
| NU Rikwana                            | 499 288          | 34 516         | 533 804          |
| N Ngwenand                            | 292 211          | 16 254         | 308 465          |
| AM van Zyl                            | 233 939          | 13 226         | 247 165          |
| M Vilane                              | 232 233          | 14 467         | 246 700          |
| Representative Councillors            | 86 438           | 10 836         | 97 274           |
| <b>Total Councillors Remuneration</b> | <b>4 594 520</b> | <b>607 991</b> | <b>5 202 511</b> |

### 28 DEBT IMPAIRMENT

|  |                   |                   |
|--|-------------------|-------------------|
| Contributors to provision - note 4     | 36 303 785        | 46 936 430        |
| Less: Portion relating to VAT - note 5 | (3 209 757)       | (7 239 943)       |
| <b>Total Debt Impairment</b>           | <b>33 094 028</b> | <b>39 696 487</b> |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R         | 2017<br>R         |
|---|-------------------|-------------------|
| <b>29 IMPAIRMENTS</b>   |                   |                   |
| Investment in Municipal Entity - note 10  | -                 | -                 |
| Property Plant and Equipment - note 7   | -                 | -                 |
| Investment Property - note 8  | -                 | -                 |
| Intangible Assets - note 9  | -                 | -                 |
| <b>Total Impairments</b>  | <b>-</b>          | <b>-</b>          |
| <b>30 DEPRECIATION AND AMORTISATION</b>   |                   |                   |
| Property Plant and Equipment - Note 7   | 48 664 987        | 47 687 933        |
| Investment Property - Note 8  | 45 496            | 45 496            |
| Intangible Assets - Note 9  | 448 201           | 448 200           |
| <b>Total Depreciation and Amortisation</b>  | <b>49 158 684</b> | <b>48 181 629</b> |
| <b>31 REPAIRS AND MAINTENANCE</b>   |                   |                   |
| Repairs and Maintenance is reviewed as a line item from the Statement of Financial Performance with the implementation of mSOFIA as it does not reflect the nature of the expense, it is disclosed in various other expenditure line items as stated below:       |                   |                   |
| <u>GRAP 17 require disclosure of repairs and maintenance per asset class:</u>   |                   |                   |
| Infrastructure  | 1 308 986         | 10 941 062        |
| Land and Buildings  | 553 946           | 373 157           |
| Other Assets  | 2 112 651         | 697 826           |
| <b>Total Repairs and Maintenance</b>  | <b>6 975 583</b>  | <b>12 012 045</b> |
| Repairs and Maintenance cost previously reported  |                   | 12 056 060        |
| Restatement of capital assets included under repairs and maintenance cost before:   |                   | 43 950            |
| <b>Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency</b>  |                   | <b>12 012 116</b> |
| It should be noted that a substantial amount of Repairs and Maintenance that were done are reflecting under the Operating Grants expenditure notes as well as Employee related cost due to the fact that bulk of the repairs and maintenance are done internally. |                   |                   |
| <b>32 FINANCE CHARGES</b>   |                   |                   |
| Long-term Liabilities   | 834 515           | 990 266           |
| Finance leases  | 276 838           | 467 750           |
| Non-current Employee Benefits   | 4 532 357         | 4 458 120         |
| Other   | 1 972             | -                 |
| <b>Total Finance Charges</b>  | <b>5 645 682</b>  | <b>5 916 136</b>  |
| <b>33 CONTRACTED SERVICES</b>   |                   |                   |
| Sanitation Services   | 14 872 932        | 14 441 985        |
| Local Municipalities  | -                 | -                 |
| Other Contractors   | 14 872 932        | 14 441 985        |
| <b>Total Contracted Services</b>  | <b>14 872 932</b> | <b>14 441 985</b> |
| The other contractors relate to Honey Suckling that has been done by outside contractors throughout the district for the year under review.   |                   |                   |
| <b>34 BULK PURCHASES</b>  |                   |                   |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R          | 2017<br>R         |
|--|--------------------|-------------------|
| Water  | 4 459 788          | 4 163 900         |
| <b>Total Bulk Purchases</b>  | <b>4 459 788</b>   | <b>4 163 900</b>  |
| <b>35 GRANTS AND SUBSIDIES PAID</b>  |                    |                   |
| Gerties Local Municipality   | -                  | 108 861           |
| Proper burials   | -                  | 2 600             |
| Joe Gqabi Economic Development Agency (SpC) Ltd  | 8 495 130          | 7 787 883         |
| <b>Total Grants and Subsidies Paid</b>   | <b>8 495 130</b>   | <b>7 898 344</b>  |
| Grant and subsidies paid to Joe Gqabi Economic Development Agency (SpC) Ltd  |                    | 7 258 142         |
| Restatement of Monies paid over by the Agency set off against expenditure incurred   |                    | 509 741           |
| <b>Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency</b>   |                    | <b>7 767 883</b>  |
| The Economic Entity has been in the process of taking over water service provision from local municipalities. The grant paid to Joe Gqabi Economic Development Agency (SpC) Ltd (JoGEDA) is in terms of the service level agreement with the IDC. This grant is used for operating activities by JoGEDA. |                    |                   |
| <b>36 OPERATING GRANT EXPENDITURE</b>  |                    |                   |
| Management Services  | 890 825            | -                 |
| Financial Services   | 1 004 450          | 899 591           |
| Corporate Services   | 102 202            | 1 129 305         |
| Technical Services   | 115 417 333        | 89 796 882        |
| Community Services   | 3 886 453          | 5 028 091         |
| <b>Total Operating Grant Expenditure</b>   | <b>134 950 263</b> | <b>96 874 779</b> |
| Total operating expenditure previously reported  |                    | 71 608 412        |
| Restatement of operating grant expenditure for cost incurred during construction of assets, now identified as operational of nature during   |                    | 22 471 700        |
| Restatement of expenditure included before as operating expenditure that was supposed to be capitalised  |                    | (5 333)           |
| <b>Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency</b>   |                    | <b>96 874 779</b> |
| <b>37 EMERGENCY DROUGHT RELIEF</b>   |                    |                   |
| Water carting  | 1 054 614          | 321 930           |
| <b>Total Operating Grant Expenditure</b>   | <b>1 054 614</b>   | <b>321 930</b>    |
| <b>38 GENERAL EXPENSES</b>   |                    |                   |
| Advertising Fees   | 742 275            | 486 491           |
| Audit Fees   | 5 842 136          | 5 106 458         |
| Bank Charges   | 379 101            | 398 311           |
| Chemicals  | 6 915 005          | 7 136 639         |
| Consulting Fees  | 14 705 292         | 6 947 168         |
| Cultivating and Copacitation   | -                  | 500 000           |
| Entertainment  | 76 380             | 91 497            |
| Fire Extinguishers   | -                  | 234 954           |
| Fuel and oil   | 9 001 667          | 8 350 508         |
| Insurance  | 4 070 422          | 5 185 828         |
| IT Cost  | 930 790            | 454 019           |
| Legal Fees   | 1 950 826          | 1 436 082         |
| Marketing  | 409 627            | 388 189           |
| Material and protective clothing   | 643 935            | 234 195           |
| Membership Fees  | 2 045 086          | 2 489 724         |



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018              | 2017              |
|---|-------------------|-------------------|
|   | R                 | R                 |
| Occupational Health   | 610 330           | -                 |
| Other   | 2 579 088         | 2 245 822         |
| Postage   | 14 799            | 4 003             |
| Printing and Stationery   | 2 509 353         | 1 241 238         |
| Rentals   | 1 487 856         | 678 688           |
| Revitalising Urban  | 323 157           | -                 |
| Security  | 3 953 837         | 3 216 899         |
| Services  | 1 508             | 1 903             |
| Shared Fire Services  | 998 741           | -                 |
| Special Programmes  | 3 926 043         | 1 482 076         |
| SPLUMA  | 30 850            | 31 817            |
| Telephone   | 2 957 025         | 4 036 607         |
| Tourism   | 26 329            | -                 |
| Training  | 862 485           | 1 481 047         |
| Travel and Subsistence  | 17 213 582        | 15 942 880        |
| Vehicle Rental  | 1 833 511         | 2 456 811         |
| Water and Electricity   | 11 944 369        | 9 745 731         |
| Water Testing & Quality Monitoring  | 1 502 220         | 3 069 454         |
| <b>Total General Expenses</b>   | <b>96 965 050</b> | <b>86 886 508</b> |
| Grant and subsidies paid to Joe Gqabi Economic Development Agency (JoC) Ltd   |                   | 84 987 964        |
| Restatement of capital assets previously included in stationary cost  |                   | (21 975)          |
| Restatement of capital assets previously included in Other general expenses   |                   | (5 433)           |
| Restatement of capital assets previously included in Consultancy fees   |                   | (105 378)         |
| Restatement of Other expenses due to it being capitalised before  |                   | 11 499            |
| <b>Restated Grants and Subsidies paid to Joe Gqabi Economic Development Agency</b>  |                   | <b>84 886 508</b> |
| The take over of water services from Gariep Local Municipality and Amatola Water Board resulted in changes in expenditure patterns to the prior year. The average increase in General expenditure is only 4% for the year. There has been a shift of spending between types of expenditure and not necessarily a material increase overall. |                   |                   |
| <b>39 LOSS ON DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT</b>   |                   |                   |
| Carrying value of Property, Plant and Equipment disposed or written off   | 1 957 883         | 575 578           |
| Value recovered from insurance  | (465 548)         | -                 |
| <b>Total Loss on Disposal of Property, Plant and Equipment</b>  | <b>1 492 335</b>  | <b>575 578</b>    |
| The loss on disposal of assets to the amount of R1 000 363 (R575 578- 2017) relates to assets that were written off.  |                   |                   |
| <b>39 CORRECTION OF ERROR IN TERMS OF GRAP 3</b>  |                   |                   |
|   |                   | 2016              |
|   |                   | R                 |
| <b>40.01 NET SURPLUS/(DEFICIT) FOR THE YEAR 2016</b>  |                   |                   |
| Certain errors were detected which relates to the prior year and were restated retrospectively. The effects of these restatements are listed below:   |                   |                   |
| Surplus reported on 30 June 2016  |                   | 1 490 512 930     |
| General Expenses incurred due to invoices received late and dispute resolved - Refer to note 15   |                   | (1 934 591)       |
| Restatement of salary related cost due to over payments in the past, debt was never created, however deductions were done   |                   | 298 329           |
| Restatement of the total Infrastructure Work in progress figures due to operational cost identified during the unbidding process - Refer to note 7  |                   | (45 998 915)      |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R   | 2017<br>R            |
|---|-------------|----------------------|
| Restatement of depreciation on 15/16 due to correction of error on BUL of water and sanitation infrastructure assets  |             | 254 528              |
| Reclassification of unpaid monies due to an employee. The full payment was recognised against the expenditure and an other payable was created. Payment was done in May 2015 - Refer note 14. |             | 73 105               |
| Correction of understatement of depreciation/amortisation of investment property during the 2015/2016 financial year  |             | (3 915)              |
| Restated surplus for the year ended 30 June 2016  |             | <u>1 403 211 474</u> |
| <b>40.02 PAYABLES FROM EXCHANGE TRANSACTIONS</b>  |             |                      |
| Balance previously reported   |             | 76 676 514           |
| Correction on understatement of Trade payables due to late receipt of invoices and a dispute that has been resolve - Note 38.1  |             | 1 534 581            |
| Reclassification of unpaid monies due to an employee. The full payment was recognised against the expenditure and an other payable was created. Payment was done in May 2015.                 |             | (73 105)             |
| Restated Balance on 30 June 2016  |             | <u>78 138 007</u>    |
| <b>40.02 RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>   |             |                      |
| Balance previously reported   |             | 59 785 369           |
|   |             | 296 529              |
| Correction of staff debtor balances not recognised prior to July 2016   |             |                      |
| Restated Balance on 30 June 2016  |             | <u>60 081 898</u>    |
| <b>40.03 PROPERTY PLANT AND EQUIPMENT</b>   |             |                      |
| Balance previously reported   |             | 1 492 421 006        |
| Reclassification of capital expenditure previously recorded as part of WIP, now being classified as operational cost  |             | (45 038 815)         |
| Restatement of depreciation on 15/16 due to correction of error on BUL of water and sanitation infrastructure assets  |             | 254 528              |
| Restated Balance on 30 June 2016  |             | <u>1 447 636 719</u> |
| <b>40.04 INVESTMENT PROPERTY</b>  |             |                      |
| Balance previously reported   |             | 2 533 755            |
| Correction of the understatement of depreciation/amortisation on investment property for the 2015/2016 financial year   |             | (3 915)              |
| Restated Balance on 30 June 2016  |             | <u>2 529 840</u>     |
| <b>42 RECONCILIATION BETWEEN NET SURPLUS FOR THE YEAR AND CASH GENERATED BY OPERATIONS</b>  |             |                      |
| Net Surplus/(Deficit) for the year  | 50 229 293  | 260 183 149          |
| Adjusted for:   |             |                      |
| Non-Cash Expenditure and Revenue  | 80 620 622  | 84 396 836           |
| Actuarial Gains   | (7 503 611) | (6 494 957)          |
| Gain on disposal of PPE   |             |                      |
| Debt Impairment   | 32 991 009  | 37 676 467           |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R           | 2017<br>R            |
|--|---------------------|----------------------|
| Depreciation and amortisation                              | 49 156 583          | 48 181 628           |
| Impairments  |                     |                      |
| Actuarial losses   |                     |                      |
| Finance charges  | 4 882 397           | 4 458 120            |
| Fair Value Adjustments                                     |                     |                      |
| Loss on disposal of PPE                                    | 1 442 285           | 575 578              |
| <b>Contributions - Provisions and Employee Benefits</b>    | <b>28 608 547</b>   | <b>22 693 342</b>    |
| Post Retirement Medical Benefits                           | 6 595 288           | 6 600 201            |
| Long Service Awards  | 2 465 936           | 1 076 166            |
| Ex-Gratia  | 60 756              | 99 956               |
| Performance bonuses  | 5 057 942           | 1 682 007            |
| Bonuses  | 10 625 420          | 9 680 073            |
| Staff leave  | 3 604 280           | 3 285 056            |
| Compensation for injury on duty                            |                     |                      |
| Other Provisions   |                     | 99 493               |
| <b>Expenditure - Provision and Employee Benefits</b>       | <b>(15 614 156)</b> | <b>(14 764 938)</b>  |
| Post Retirement Medical Benefits                           | (1 091 280)         | (1 076 925)          |
| Long Service Awards  | (391 064)           | (283 687)            |
| Ex-Gratia  | (37 986)            | (109 438)            |
| Performance bonuses  | (2 614 846)         | (2 687 740)          |
| Bonuses  | (10 609 790)        | (9 286 775)          |
| Staff leave  | (1 468 268)         | (1 370 351)          |
| Compensation for injury on duty                            |                     |                      |
| Other Provisions   |                     |                      |
| <b>Other adjustments</b>                                   | <b>7 987 605</b>    | <b>(111 054 524)</b> |
| Bad debts written off                                      | 7 987 605           | (111 064 524)        |
| Compensation for injury on duty (penalty)                  |                     |                      |
| <b>Operating surplus before changes in working capital</b> | <b>191 633 361</b>  | <b>181 443 656</b>   |
| <b>Movement in working capital</b>                         | <b>(47 696 532)</b> | <b>46 813 867</b>    |
| Receivables from exchange transactions                     | (82 372 416)        | 98 256 307           |
| Inventory  | 259 371             | 277 771              |
| Payables from exchange transactions                        | 5 304 905           | (178 506)            |
| Unspent Conditional Government Grants                      | (2 451 698)         | 3 912 263            |
| Unpaid Conditional government grants                       | 7 797 888           | 6 600 433            |
| Taxes  | 34 093 410          | (23 060 601)         |
| <b>Cash Flow from Operating Activities</b>                 | <b>146 734 826</b>  | <b>228 257 533</b>   |

### 41. RECONCILIATION OF AVAILABLE CASH AND INVESTMENT RESOURCES

|   |                  |                  |
|---|------------------|------------------|
| Cash and Cash Equivalents - note 3                            | 12 654 580       | 3 487 761        |
| Less:   |                  |                  |
| Unspent Committed Conditional Grants - note 7                 | 2 776 738        | 4 938 428        |
| <b>Net cash resources available for internal distribution</b> | <b>9 877 842</b> | <b>8 416 210</b> |

### 42. UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. The Annuity Loans carry interest of between 10% and 11.52% and will be repaid by 2026.

### 43. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

#### Unauthorised expenditure

Reconciliation of unauthorised expenditure:

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R | 2017<br>R |
|---|-----------|-----------|
| Opening balance                                   | 164 753   | 164 753   |
| Unauthorised expenditure current year - operating |           |           |
| Unauthorised expenditure current year - capital   |           |           |
| Authorised by Council                             |           |           |
| Transfer to receivables for recovery              |           |           |
| Unauthorised expenditure awaiting authorisation   | 164 753   | 164 753   |

The municipality did not incur any unauthorised expenditure for the 2017/2018 and 2016/2017 financial periods.

### 44. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure:

|  |           |
|--|-----------|
| Opening balance  | 717 007   |
| Fruitless and wasteful expenditure current year                | -         |
| Written off by Council   | (717 007) |
| Transfer to receivables for recovery                           | -         |
| Fruitless and wasteful expenditure awaiting write-off approval | -         |

| Incident               | Disciplinary steps  |
|------------------------|---|
| Invoice paid to Telkom | None - The invoice was paid within 30 days of receipt of the invoice. |

### 45. Irregular expenditure

Reconciliation of irregular expenditure:

|  |               |
|--|---------------|
| Opening balance  | 9 192 359     |
| Irregular expenditure - current and prior identified in current year | 63 219 408    |
| Written off by Council awaiting consideration                        | (9 192 359)   |
| Irregular expenditure  | 63 219 407,82 |

A contract was entered into between JGDm and Mvula Trust utilising the Municipal SCM Regulation 32(1) which states that a SCM policy may allow the accounting officer to procure goods or services for the municipality under a contract awarded by another organ of the state, for managing the implementation of Rural Water and Sanitation Programme as an implementing agent. This was following a process allowed in terms of section 110 of the MFMA. In March 2011 JGDm participated in a Regulation 32 contract after establishing the below:

- A contract was required by the Eastern Cape Department of Human Settlements by means of a competitive bidding process applicable to the Eastern Cape Department of Human Settlements (organ of state) with Mvula Trust.
- In line with sub-regulation (1)(a) and (1)(b) the municipality had confirmed there was no reason to believe that such contract was not validly procured by the Eastern Cape Department of Human Settlements.
- There were demonstrable benefits for the municipality to do so; and
- The Eastern Cape Department of Human Settlements, JGDm and Mvula Trust had considered to such procurement in writing.

In application of Regulation 32, the municipality had a proper demand management plan in place that was based on the service delivery and budget implementation plan. As an implementing agent, Mvula Trust processed goods and services through the use of competitive bidding processes to secure contractors and service providers.

The contract between Eastern Cape Department of Human Settlements and Mvula trust expired in September 2013. The

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018<br>R   | 2017<br>R   |
|--|-------------|-------------|
| contract of JGEMA expired in June 2016, it was further extended in line with section 126 of the MFMA and this was reviewed during the 2016/17 audit by the AG and determined as compliant. |             |             |
| <b>46 MATERIAL LOSSES</b>  |             |             |
| <b>Water distribution losses</b>   |             |             |
| Kilo litres raw  | 14 435 690  | 14 580 712  |
| Kilo litres treated  | 10 873 736  | 11 616 722  |
| Kilo litres sold   | (8 054 861) | (7 838 740) |
| Kilo litres lost during cleaning   | 3 561 752   | 3 563 090   |
| Kilo litres lost from treated  | 2 819 877   | 3 177 983   |
| Kilo litres lost from raw  | 6 381 129   | 6 741 972   |
| Percentage water lost during cleaning  | 34,7%       | 34,4%       |
| Percentage lost from treated vs billed   | 25,93%      | 26,85%      |
| Percentage water lost since abstraction  | 44,30%      | 46,34%      |
| Average cost per Kilolitre in Rand   | 7,19        | 7,38        |
| Loss in Rand value (Raw)   | 45 880 338  | 49 755 753  |
| Loss in Rand value (Treated)   | 20 271 323  | 23 458 507  |

The improvement in water losses is due to major refurbishments and repairs to aging infrastructure as well as ongoing water restrictions to reduce demand so as to manage drought risks. This has been coupled with improved awareness around water conservation and demand management and also improvements in metering.

### 47 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

#### 47.01 SALGA Contributions - (MFMA 125 (1)(b))

|   |             |             |
|---|-------------|-------------|
| Opening balance                               |             | -           |
| Council subscriptions                         | 2 023 260   | 2 153 161   |
| Amount paid - current year                    | (2 023 260) | (2 153 161) |
| Amount paid - previous years                  |             |             |
| <b>Balance unpaid (Included in creditors)</b> |             |             |

The prior year figure was updated with an amount of R208 733 due to additional subscription fees billed by SALGA.

#### 47.02 Audit fees - (MFMA 125 (1)(b))

|  |             |             |
|--|-------------|-------------|
| Opening balance                              | 20 646      | 361 896     |
| Current year audit fee                       | 5 118 622   | 4 691 560   |
| Amount paid                                  | (4 958 876) | (4 670 455) |
| Amount paid - previous year                  | (20 646)    | (361 896)   |
| <b>Balance unpaid (Included in payables)</b> | 159 257     | 20 646      |

#### 47.03 VAT - (MFMA 125 (1)(b))

|                                     |              |             |
|-------------------------------------|--------------|-------------|
| Opening balance                     | 32 686 430   | 9 625 629   |
| Amounts received - current year     | (57 588 838) | (9 627 258) |
| Amounts claimed - current year      | 33 495 416   | 31 228 245  |
| <b>Balance receivable/(payable)</b> | 8 593 028    | 32 226 617  |

VAT is payable on the receipt basis. Only once payment is received from the debtors is VAT paid over to SARS. Input VAT has also been claimed once payment has been made to a registered service provider. All VAT returns have been submitted by the due date throughout the year. Bulk of the Claims for the 16/17 year was only paid to the Municipality during July 2017.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

contributing to the cashflow challenges we experienced. The amount receivable from SARS as at 30 June 2018 relates to the claims for the last 3 months of the financial year.

### 47.04 PAYE, SDL and UIF - (MFMA 125 (1)(b))

|   | 2018<br>R        | 2017<br>R    |
|---|------------------|--------------|
| Opening balance   | -                | -            |
| Current year payroll deductions and Council Contributions | 33 683 069       | 26 905 552   |
| Amount paid - current year                                | (29 218 023)     | (26 191 952) |
| <b>Balance receivable</b>                                 | <b>2 465 046</b> | <b>-</b>     |

### 47.05 Pension and Medical Aid Deductions - (MFMA 125 (1)(b))

|   | 2018<br>R    | 2017<br>R    |
|---|--------------|--------------|
| Opening balance   | -            | -            |
| Current year payroll deductions and Council Contributions | 40 160 062   | 35 349 797   |
| Amount paid - current year                                | (40 160 062) | (35 349 797) |
| <b>Balance unpaid (included in payables)</b>              | <b>-</b>     | <b>-</b>     |

### 47.06 Councilor's arrear consumer accounts - (MFMA 125 (1)(b))

There are no overdue councilor accounts.

## 48 Deviations - Supply Chain Management

Deviations with the Supply Chain Management Regulations were identified and categorised as follows:

|  |                   |                   |
|--|-------------------|-------------------|
| - Emergencies  | 31 325 372        | 25 076 426        |
| - Goods or services are produced or available from a single provider only  | -                 | -                 |
| - Other exceptional cases where it is impractical or impossible to follow the official procurement processes eg. Strip and | 15 590 792        | 13 689 121        |
|  | <b>46 916 163</b> | <b>38 765 547</b> |

Deviations per department

|  |                   |                   |
|--|-------------------|-------------------|
| - Office of the Municipal Manager          | 1 301 795         | 89 305            |
| - Financial Services                       | 98 855            | -                 |
| - Corporate Services                       | 4 908 129         | 1 596 787         |
| - Community Services                       | 1 347 695         | 479 029           |
| - Technical Services                       | 27 436 710        | 35 209 426        |
| - Expenditure incurred on behalf of JoGEDA | 11 823 065        | -                 |
|  | <b>46 916 163</b> | <b>38 765 547</b> |

## 49 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

Approved and contracted for:

|                  |                    |                    |
|------------------|--------------------|--------------------|
| - Infrastructure | 110 500 515        | 370 234 005        |
| <b>Total</b>     | <b>110 500 515</b> | <b>370 234 005</b> |

This expenditure will be financed from:

|                             |                    |                    |
|-----------------------------|--------------------|--------------------|
| Capital Replacement Reserve | -                  | -                  |
| Governmental Grants         | 110 500 515        | 370 234 005        |
| Own Resources               | -                  | -                  |
| <b>Total</b>                | <b>110 500 515</b> | <b>370 234 005</b> |



# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

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### FINANCIAL RISK MANAGEMENT

The activities of the Municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Municipality's financial performance.

#### (a) Foreign Exchange Currency Risk

The Municipality does not engage in foreign currency transactions.

#### (b) Price risk

The Municipality is not exposed to price risk.

#### (c) Interest Rate Risk

Financial assets and liabilities that are sensitive to interest rate risk are cash and cash equivalents, **non-current** investments and loan payables.

The Municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include **refinancing**, renewal of current positions, alternative financing and hedging. Based on these scenarios, the Municipality calculates the impact that a change in interest rates will have on the **surplus/deficit** for the year. These scenarios are only simulated for cash and cash equivalents and **non-current investments** as the interest rate on loan payables are fixed.

The Municipality did not hedge against any interest rate risks during the current year.

The potential impact on the Municipality's surplus/deficit for the year due to changes in interest rates were as follows:

0,5% (2017 - 0,5%) Increase in interest rates  
0,5% (2017 - 0,5%) Decrease in interest rates

The potential impact on the fair value of loans payable due to changes in interest rates is insignificant as the carrying value represents the fair value based on the underlying assets.

#### (d) Credit Risk

Credit risk is the risk that a counter party to a financial or **non-financial** asset will fail to discharge an obligation and cause the Municipality to incur a financial loss.

Credit risk arises mainly from cash and cash equivalents, instruments and deposits with banks and financial institutions, as well as credit exposures to consumer and grant debtors.

Receivables are disclosed net after provisions are made for **impairment** and bad debts. Receivables comprise of a large number of **consumers**, dispersed across different sectors and geographical areas. Ongoing credit evaluations are performed on the financial condition of these **receivables**. Credit risk pertaining to debtors is considered to be moderate due to the diversified nature of debtors and immaterial nature of individual balances. In the case of consumer receivables the Municipality effectively has the right to terminate services to customers, but in practice this is difficult to apply. In the case of debtors whose accounts become in arrears, Council endeavours to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

All services are payable within 30 days from invoice date. Refer to note 15 for all **balances outstanding** longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms.

No receivables are pledged as security for financial liabilities.

The Municipality only deposits cash with major banks with high quality credit standing. No cash and cash

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure is disclosed below.

The bank utilised by the Municipality for current and non-current investments are all listed on the JSE (ABSA Bank). The credit quality of these institutions are evaluated based on their required SENS releases as well as other media reports. Based on all public communications, the financial sustainability is evaluated to be of high quality and the credit risk pertaining to these institutions are considered to be low.

Although the risk pertaining to unpaid conditional grants and subsidies are considered to be very low, the maximum exposure is disclosed below. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Receivables from exchange transactions are individually evaluated annually at Financial Period date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. The maximum exposure is disclosed below.

Financial assets exposed to credit risk at year end are as follows:

|   | 2018<br>R          | 2017<br>R          |
|---|--------------------|--------------------|
| Receivables from Exchange Transactions  | 154 075 734        | 117 295 465        |
| Cash and Cash Equivalents               | 12 654 580         | 2 184 906          |
| Non-current Investments                 | 3 571 508          | 3 477 508          |
| Unpaid Conditional Grants and Subsidies | 14 395 662         | 22 153 551         |
|   | <u>184 697 484</u> | <u>145 116 429</u> |

### (e) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the treasury maintains flexibility in funding by maintaining availability under credit lines.

The Municipality's risk to liquidity is a result of the funds available to cover future commitments. The Municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Economic Entity's financial liabilities into relevant maturity groupings based on the remaining period at the financial year end to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

|   |                    |                    |
|---|--------------------|--------------------|
| Long Term Liabilities                             | 7 506 318          | 6 667 095          |
| Capital repayments                                | 9 090 193          | 12 654 348         |
| Interest  | (1 584 875)        | (5 987 348)        |
| Payables from exchange transactions               | 306 750 029        | 103 645 113        |
| Unpaid Conditional Government Grants and Receipts | 3 779 738          | 4 938 428          |
|   | <u>118 033 075</u> | <u>115 050 548</u> |

### FINANCIAL INSTRUMENTS

In accordance with GRAP 106 the financial instruments of the Municipality are classified as follows:

#### Financial Assets

##### Financial instruments at amortised cost

|  |           |           |
|--|-----------|-----------|
| Non-Current Investments  | 3 571 508 | 3 477 508 |
| - Fixed Deposits (Zero coupon)                                       | 1 677 453 | 1 593 453 |
| - Municipal Entity - Joe Gqabi Economic Development Agency (Pty) Ltd | 1 894 055 | 1 884 055 |

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R          | 2017<br>R          |
|---|--------------------|--------------------|
| Receivables from Exchange Transactions            | 154 075 734        | 117 289 465        |
| Cash and Cash Equivalents                         | 12 654 580         | 2 194 906          |
| Unpaid Conditional Government Grants and Receipts | 14 395 662         | 22 163 551         |
| <b>Total carrying amount of financial assets</b>  | <b>181 126 004</b> | <b>141 647 922</b> |

### Financial Liability

#### Financial Instruments at amortised cost

|   |                    |                    |
|---|--------------------|--------------------|
| Long-term Liabilities                                 | 7 506 318          | 6 667 005          |
| Trade and Other Payables                              | 106 750 019        | 103 445 113        |
| Current Portion of Long-term Liabilities              | 1 584 875          | 5 947 544          |
| Unspent Conditional Government Grants and Receipts    | 2 776 738          | 4 928 428          |
| <b>Total carrying amount of financial liabilities</b> | <b>128 617 950</b> | <b>120 998 090</b> |

### 51 EVENTS AFTER THE REPORTING DATE

The council approved the payment of Performance bonus for the period 2016/2017 based on a formal prescribed assessment that was done during July 2018.

### 52 IN-KIND DONATIONS AND ASSISTANCE

The following in kind donations were received:

A Soccer kit for the soccer team of the District municipality with an approximate value of R20 000.

### 53 PRIVATE PUBLIC PARTNERSHIPS

Council has not entered into any private public partnerships during the financial year.

### 54 CONTINGENCIES

Council has the following contingent liabilities at the end of the financial year 2017/2018:

#### Outstanding litigation claims

A claim was filed against the Municipality by a service provider disputing the award of a tender to another service provider. Judgement was received on the 26th of May 2016 in favour of the municipality, however the plaintiff has appealed the whole judgement. Judgement was received in the favour of the municipality again from a full bench appeal and the plaintiff has opt to appeal again. The court has ruled that the bid must be re-advertised during 2017/2018.

The Municipality was contesting a labour matter in respect of its junior fire fighters. The labour court reviewed and set aside the decision of the commissioner to pay the employees the amount of and referred the matter back to arbitration before a new commissioner. The matter set on arbitration and the employer representative raised points in limine which resulted to the commissioner dismissing the application on grounds of prescription but advising the employees to apply for condonation should they want to pursue the matter. The applied for condonation to SAUGBC and the application was dismissed on 10 April 2017. Currently the employees have filed an application to review or set aside the decision of the commissioner who dismissed the application.

In addition, the Commissioner also issued an award that the 28 junior fire fighters be paid an amount of R211 870 each based on TASSI grading. This arbitration award has also been referred for review. This matter was suppose to sit on the 25th and 26th of October 2016, however the case was removed from the roll on the date in question due to the issues surrounding the non-filing of the record by the Bargaining council as well as the junior fire fighters attorneys. Their attorneys of record withdrew subsequently and to date we have not received a new date from the labour court.

The Municipality is contesting a claim for damages amounting to R754 702. The claim was lodged by Mr B Ramsey and his

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|   | 2018<br>R | 2017<br>R |
|---|-----------|-----------|
| <p>spouse for damages, pain and suffering and future medical costs. The claim relates to a motor vehicle accident wherein the vehicle was damaged when entering a site in Aliwal North. The site relates to diggings on a road for the purpose of effecting repairs to water infrastructure. The complainants believe that the Municipality is responsible for the accident that occurred. The Municipality is contesting this claim and the matter has been set down for trial on the 11 October 2016 and then was removed from the roll on basis of they wanted to file their report without evidence. The municipality is awaiting the new trial date.</p> <p>The Department of Water and Sanitation is claiming an amount R37 660 353 from the Municipality for raw water extraction costs. This amount is made up of a number of invoices, dating back as far as 2002. The Municipality has had extensive interactions with the Department, but this amount has not been finalised. The Municipality's Management is of the opinion that this amount is firstly grossly overstated and in some cases refers to areas outside the District's jurisdiction. An accrual of R10 531 553 for bulk water purchases has been made and this amount is considered to be due and payable to the Department. The net amount of the contingency is R27 128 801. The Municipality is in ongoing negotiations with the Department. The Department submitted a request to its Minister and Director General to write off the amount. This decision is still pending. The Department is also considering drought relief measures for the current year's raw water extraction costs. This decision is also pending.</p> <p>A summons and a notice of intention has been filed against the municipality. This matter relates to an employee of the municipality had an accident and a house of a resident was damaged in the process. The Municipality considers the likelihood of the case being lost by the Municipality as being medium. This matter is awaiting a court date. The claim amounts to R272 555.</p> <p>There was an accident which occurred between a vehicle of Senoia Municipality and a truck driven by an employee of the Municipality. The insurance is claiming for damages from the municipality and the municipality is contesting the claim. This matter is pending before court for trial. The claim amounts to R405 661.</p> <p>A claim was filed against the Municipality by a service provider for services rendered. Council has filed a counter claim. The Municipality considers the likelihood of the case being lost by the Municipality as being low. No court date has been set as on the reporting date. The claim amounts to R800 000.</p> <p>There is an eviction claim for a property the municipality believes to belong to the municipality. This claim amounts to R36 000.</p> <p>Other matters: There is a claim from Tefkom for infrastructure damages to the value of R130 000. There is another claim from a service provider for services rendered that are contested by the municipality to the value of R376 000. Uyoobhu Trading and Investments vs AGDM, claimant wants the matter to be arbitrated instead of appointing another service provider.</p> <p>Jozana community development trust has lodged a claim against the Minister of Rural land and reform to allow the development of the eco-tourism project at the Jozana Dam and the municipality is cited only as a District Municipality since the claimant believes the dam falls under this Municipality. It is however a DWS owned dam.</p> <p><u>Council has the following contingent assets at the end of the financial year 2017/2018:</u></p> <p>The municipality identified possible fraud which is currently under investigation by the SAPS and the outcome is unknown at this stage. The matter has been referred to the Municipal attorneys to claim from the medical aid scheme in question. No court date has been set on the reporting date.</p> <p>A case against a former employee has been before labour court for fraud. The matter has been finalised and a debtor was created during 2016/2017. This debtor was paid off during 2017/2018.</p> |           |           |

55

### RELATED PARTIES

No business transactions took place between the Municipality and management personnel and their close family members (including close members of family members) during the year under review with the exception of Zibipine Community Radio station to the value of R2500. Thabo Motini and Cile Phuzo are non-executive directors.

### Related Party Loans

Since 1 July 2006 loans to Councillors and Senior Management Employees are not permitted.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

|  | 2018 | 2017 |
|--|------|------|
|  | R    | R    |

### Compensation of management personnel

The compensation of management personnel is set out in note 26 and 27 to the financial statements.

### Investment in Municipal Entity

The Municipality has a 100% shareholding in Joe Gqabi Economic Development Agency (Soc) Ltd (JoGEDA) as set out in note 32 to the financial statements. The Municipality incurred expenditures on behalf of JoGEDA. Refer to note 11 for the detail of the liabilities.

The Municipality paid a grant to JoGEDA as disclosed in note 35.

# JOE GQABI DISTRICT MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

### 56 NATIONAL TREASURY APPROPRIATION STATEMENT

|   | ORIGINAL<br>BUDGET<br>2018<br>R | BUDGET<br>ADJUSTMENTS<br>2018<br>R | FINAL<br>BUDGET<br>2018<br>R | ACTUAL<br>OUTCOME<br>2018<br>R | BUDGET<br>VARIANCE<br>2018<br>R | RESTATE<br>OUTCOME<br>2017<br>R |
|---|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>Financial Performance:</b>                 |                                 |                                    |                              |                                |                                 |                                 |
| Service charges and other independent revenue | 115 994 288                     | 45 025 509                         | 161 019 797                  | 77 137 850                     | 838 384 947                     | 31 671 085                      |
| Transfers recognised - operational            | 335 444 400                     | 30 190 000                         | 365 634 400                  | 404 607 810                    | (138 573 410)                   | 324 626 629                     |
| Other own revenue                             | 2 380 294                       | 204 183                            | 2 584 477                    | 34 270 825                     | (13 686 348)                    | 27 662 941                      |
| <b>Total Operating Revenue</b>                | <b>559 398 982</b>              | <b>45 389 692</b>                  | <b>604 788 679</b>           | <b>516 016 485</b>             | <b>72 662 194</b>               | <b>451 552 432</b>              |
| Employee costs                                | 155 551 256                     | 11 820 197                         | 167 371 453                  | 230 115 686                    | (111 362 093)                   | 286 876 916                     |
| Revenue from council offices                  | 7 312 384                       | (1 609 818)                        | 5 702 566                    | 5 053 892                      | (1 309 674)                     | 5 364 912                       |
| Debt impairment                               | 20 875 141                      | 45 787 643                         | 66 662 784                   | 32 981 426                     | 21 681 358                      | 27 470 457                      |
| Depreciation & amortisation                   | 46 328 678                      | (548 738)                          | 45 779 940                   | 49 138 581                     | (1 358 641)                     | 47 138 581                      |
| Finance charges                               | 1 293 887                       | (1 286 506)                        | 7 383                        | 5 645 688                      | (4 642 307)                     | 5 936 126                       |
| Materials and bulk purchases                  | 9 000 000                       | -                                  | 9 000 000                    | 4 156 788                      | 4 843 212                       | 4 365 390                       |
| Contracted services                           | 111 567 259                     | 43 611 428                         | 155 178 687                  | 24 672 052                     | 130 506 635                     | 24 641 082                      |
| Transfers and grants                          | 16 505 339                      | (8 016 399)                        | 8 488 940                    | 8 488 130                      | (1 000)                         | 7 679 944                       |
| Other expenditure                             | 116 576 238                     | (14 362 086)                       | 102 214 152                  | 252 015 303                    | (140 801 151)                   | 62 413 001                      |
| Loss on disposal of PPE                       | -                               | -                                  | -                            | 1 442 265                      | (1 442 265)                     | 375 578                         |
| <b>Total Expenditure</b>                      | <b>516 271 972</b>              | <b>73 237 132</b>                  | <b>589 509 104</b>           | <b>566 167 035</b>             | <b>2 554 054</b>                | <b>582 171 278</b>              |
| <b>Surplus/(Deficit)</b>                      | <b>(8 932 990)</b>              | <b>12 647 720</b>                  | <b>1 579 575</b>             | <b>26 127 965</b>              | <b>11 102 745</b>               | <b>38 059 791</b>               |
| Transfers recognised - capital                | 254 235 500                     | (33 000 000)                       | 221 235 500                  | -                              | -                               | -                               |
| <b>Surplus/(Deficit) for the year</b>         | <b>245 222 910</b>              | <b>(22 402 280)</b>                | <b>222 820 630</b>           | <b>33 821 529</b>              | <b>5 058 306</b>                | <b>78 015 570</b>               |



**JOE GQABI DISTRICT MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018**

55 NATIONAL TREASURY APPROPRIATION STATEMENT (CONTINUED)

|  | ORIGINAL<br>BUDGET<br>2015<br>R | BUDGET<br>ADJUSTMENTS<br>2018<br>R | FINAL<br>BUDGET<br>2018<br>R | ACTUAL<br>OUTCOME<br>2018<br>R | BUDGET<br>VARIANCE<br>2018<br>R | RESTATE<br>OUTCOME<br>2017<br>R |
|--|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|---------------------------------|
| <b>Capital expenditure &amp; funds sources</b>           |                                 |                                    |                              |                                |                                 |                                 |
| Capital expenditure                                      | 258 546 000                     | (27 254 053)                       | 231 291 947                  | 225 351 338                    | 106 100 629                     | 236 856 962                     |
| Transfers recognised - capital internally governed funds | 254 155 000                     | (30 050 000)                       | 224 105 000                  | 132 635 748                    | 56 420 252                      | 250 891 995                     |
|  | 4 391 000                       | 7 705 047                          | 12 096 047                   | 1 700 000                      | 10 396 047                      | 1 966 225                       |
| Total sources of capital funds                           | 258 546 000                     | (27 254 053)                       | 231 291 947                  | 134 335 338                    | 98 025 606                      | 252 199 220                     |
| <b>Cash flows</b>  |                                 |                                    |                              |                                |                                 |                                 |
| Net cash flows (used) operating                          | 283 353 156                     | (33 342 463)                       | 250 010 693                  | 141 704 830                    | 94 476 278                      | 236 257 533                     |
| Net cash flows (used) investing                          | (258 546 000)                   | 40 057 354                         | (218 488 646)                | (125 091 318)                  | (99 397 330)                    | (208 254 982)                   |
| Net cash flows (used) financing                          | (5 026 062)                     | -                                  | (4 026 062)                  | (2 501 150)                    | (2 524 913)                     | (2 309 878)                     |
| Net Cash Movement for the year                           | 481 544                         | 6 214 901                          | 6 696 405                    | 16 112 362                     | (3 445 957)                     | (5 909 327)                     |
| Cash/cash equivalents at beginning of year               | 2 121 546                       | (5 909 328)                        | (3 487 782)                  | (3 487 782)                    |                                 | 2 121 546                       |
| Cash/cash equivalents at the year end                    | 2 903 050                       | 305 573                            | 3 208 623                    | 12 664 580                     | (6 445 957)                     | (3 487 781)                     |

# JOE GQABI DISTRICT MUNICIPALITY

## APPENDIX A (UNAUDITED)

### SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2013

| EXTERNAL LOANS  | Rate   | Loan Number | Redeemable | Maturity Date | Balance at 30 June 2012 | Received during the period | Redeemed during the period | Balance at 30 June 2013 |
|---|--------|-------------|------------|---------------|-------------------------|----------------------------|----------------------------|-------------------------|
|   |        |             |            |               | R                       | R                          | R                          | R                       |
| <b>ANNUITY LOANS</b>                                      |        |             |            |               |                         |                            |                            |                         |
| DBSA - Building - 11th Grafton and Galle Street, Swellano | 61.5%  | 300079      | 6 monthly  | 30 Dec 2020   | 4 775 750               | -                          | 438 200                    | 4 337 550               |
| DBSA - Water main loan                                    | 60.75% |             | 6 monthly  | 3 March 2020  | 2 000 070               | -                          | 184 300                    | 1 815 770               |
| <b>Total Annuity Loans</b>                                |        |             |            |               | <b>6 775 820</b>        | <b>-</b>                   | <b>622 500</b>             | <b>6 153 320</b>        |
| <b>FINANCE LEASE</b>                                      |        |             |            |               |                         |                            |                            |                         |
| DBSA - VEHICLES   | Prime  |             | Monthly    | 30 June       | 2 428 000               | -                          | 2 100 100                  | 327 900                 |
| <b>Total Finance Lease</b>                                |        |             |            |               | <b>2 428 000</b>        | <b>-</b>                   | <b>2 100 100</b>           | <b>327 900</b>          |
| <b>TOTAL EXTERNAL LOANS</b>                               |        |             |            |               | <b>9 203 820</b>        | <b>-</b>                   | <b>1 722 600</b>           | <b>7 481 220</b>        |

## APPENDIX B (UNAUDITED)

## ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2018

[illegible]

# JOE GQABI DISTRICT MUNICIPALITY

## APPENDIX C (UNAUDITED)

### SEGMENTAL STATEMENTS OF FINANCIAL PERFORMANCE (MUNICIPAL VOTES) FOR THE YEAR ENDING 30 JUNE 2018

| VOTE                                     | 30 JUNE 2017       |                    |                        | 30 JUNE 2018       |                    |                        |
|--|--------------------|--------------------|------------------------|--------------------|--------------------|------------------------|
|  | REVENUE<br>R       | EXPENDITURE<br>R   | SURPLUS/(DEFICIT)<br>R | REVENUE<br>R       | EXPENDITURE<br>R   | SURPLUS/(DEFICIT)<br>R |
| Management Services                      | 500 000            | 46 306 216         | (45 806 216)           | -                  | 45 095 120         | (45 095 120)           |
| Financial Services                       | 544 439 205        | 65 068 680         | 275 550 525            | 544 847 345        | 77 700 422         | 267 146 923            |
| Corporate Services                       | 7 730 457          | 45 252 522         | (37 522 065)           | 8 374 325          | 46 799 214         | (38 424 889)           |
| Technical Services                       | 330 529 705        | 292 786 693        | 37 743 012             | 296 105 694        | 325 472 309        | (29 366 615)           |
| Community Services                       | 10 105 695         | 48 838 971         | (38 733 276)           | 3 053 094          | 40 152 662         | (37 099 568)           |
| Institutional Support and Administration | -                  | -                  | -                      | 357 400            | 11 065 210         | (10 707 810)           |
| <b>TOTAL</b>                             | <b>702 310 282</b> | <b>502 250 152</b> | <b>200 060 130</b>     | <b>655 397 278</b> | <b>565 167 536</b> | <b>90 229 742</b>      |

## APPENDIX D (UNAUDITED)

[illegible]

Environ Biol Fish (2015) 98:1031–1040  
DOI 10.1007/s10641-015-0300-0

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# JOE GQABI DISTRICT MUNICIPALITY

## APPENDIX E (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

|                                       | ORIGINAL<br>BUDGET<br>2018<br>R | BUDGET<br>ADJUSTMENTS<br>2018<br>R | FINAL<br>BUDGET<br>2018<br>R | ACTUAL<br>OUTCOME<br>2018<br>R | BUDGET<br>VARIANCE<br>2018<br>R | RESTATED<br>OUTCOME<br>2017<br>R |
|---------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>REVENUE</b>                        |                                 |                                    |                              |                                |                                 |                                  |
| Management Services                   | 2 010 000                       | (2 010 000)                        | -                            | -                              | -                               | 500 000                          |
| Financial Services                    | 244 440 000                     | 301 264                            | 244 741 264                  | 344 847 345                    | (100 106 081)                   | 344 439 205                      |
| Corporate Services                    | 2 397 294                       | 209 019                            | 2 606 313                    | 8 374 335                      | (5 768 022)                     | 7 739 477                        |
| Technical Services                    | 501 806 258                     | 55 600 555                         | 557 406 813                  | 295 163 004                    | 261 301 853                     | 339 525 705                      |
| Community Services                    | 13 832 000                      | (3 200 000)                        | 10 632 000                   | 3 053 104                      | 7 578 896                       | 10 105 896                       |
| Institutional Support and Advancement | 957 400                         | -                                  | 957 400                      | 957 400                        | -                               | -                                |
| <b>Total Revenue by Vote</b>          | <b>763 502 982</b>              | <b>50 894 852</b>                  | <b>814 397 834</b>           | <b>655 397 278</b>             | <b>159 000 556</b>              | <b>702 310 282</b>               |



# JOE GQABI DISTRICT MUNICIPALITY

## APPENDIX E (1) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE (MUNICIPAL VOTE CLASSIFICATION)

|                                       | ORIGINAL<br>BUDGET<br>2018<br>R | BUDGET<br>ADJUSTMENTS<br>2018<br>R | FINAL<br>BUDGET<br>2018<br>R | ACTUAL<br>OUTCOME<br>2018<br>R | BUDGET<br>VARIANCE<br>2018<br>R | RESTATED<br>OUTCOME<br>2017<br>R |
|---------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>EXPENDITURE</b>                    |                                 |                                    |                              |                                |                                 |                                  |
| Management Services                   | 48 224 004                      | (4 088 164)                        | 42 137 890                   | 42 081 125                     | 75 725                          | 46 808 515                       |
| Financial Services                    | 90 006 713                      | 48 179 749                         | 138 276 462                  | 93 123 786                     | 20 162 676                      | 68 088 188                       |
| Corporate Services                    | 51 843 957                      | (2 170 872)                        | 49 678 485                   | 46 798 114                     | 2 879 371                       | 45 252 522                       |
| Technical Services                    | 277 350 287                     | 53 247 627                         | 330 597 914                  | 330 090 945                    | 506 969                         | 291 768 655                      |
| Community Services                    | 64 058 666                      | (12 576 768)                       | 51 481 898                   | 49 152 662                     | 2 329 236                       | 48 891 971                       |
| Institutional Support and Advancement | 18 592 925                      | (4 496 441)                        | 14 096 484                   | 13 979 885                     | 216 599                         | -                                |
| <b>Total Expenditure by Vote</b>      | <b>518 271 972</b>              | <b>73 297 132</b>                  | <b>591 569 103</b>           | <b>565 167 536</b>             | <b>26 401 568</b>               | <b>502 250 152</b>               |
| <b>Surplus/(Deficit) for the year</b> | <b>245 231 010</b>              | <b>(22 402 280)</b>                | <b>222 828 730</b>           | <b>90 229 742</b>              | <b>132 598 988</b>              | <b>200 060 130</b>               |

# JOE GQABI DISTRICT MUNICIPALITY

## APPENDIX E (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE

|  | ORIGINAL<br>BUDGET<br>2018<br>R | BUDGET<br>ADJUSTMENTS<br>2018<br>R | FINAL<br>BUDGET<br>2018<br>R | ACTUAL<br>OUTCOME<br>2018<br>R | BUDGET<br>VARIANCE<br>2018<br>R | RESTATED<br>OUTCOME<br>2017<br>R |
|--|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>REVENUE BY SOURCE</b>   |                                 |                                    |                              |                                |                                 |                                  |
| Service charges  | 155 596 288                     | 48 625 566                         | 188 421 857                  | 77 137 656                     | 185 284 207                     | 91 671 076                       |
| Rental of facilities and equipment                                   | 9 000                           | -                                  | 9 000                        | -                              | 9 000                           | -                                |
| Interest earned - external investments                               | 4 040 000                       | (10 000)                           | 4 030 000                    | 4 620 844                      | (590 844)                       | 3 309 457                        |
| Interest earned - outstanding debtors                                | 18 572 000                      | 7 575 000                          | 20 625 000                   | 22 124 486                     | (1 471 486)                     | 24 092 870                       |
| Agency services  | 992 000                         | -                                  | 992 000                      | -                              | 992 000                         | -                                |
| Transfers recognised - operational                                   | 355 444 400                     | 30 150 000                         | 385 634 400                  | 404 907 610                    | (18 073 410)                    | 314 816 629                      |
| Other revenue  | 380 294                         | 204 289                            | 582 577                      | 14 270 625                     | (13 678 248)                    | 17 962 941                       |
| <b>Total Revenue (excluding capital transfers and contributions)</b> | <b>509 347 982</b>              | <b>95 984 852</b>                  | <b>595 332 834</b>           | <b>522 761 530</b>             | <b>72 571 304</b>               | <b>451 552 432</b>               |

# JOE GQABI DISTRICT MUNICIPALITY

## APPENDIX E (2) (UNAUDITED)

### NATIONAL TREASURY APPROPRIATION STATEMENTS FOR THE YEAR ENDING 30 JUNE 2018

#### REVENUE AND EXPENDITURE

|                                       | ORIGINAL<br>BUDGET<br>2018<br>R | BUDGET<br>ADJUSTMENTS<br>2018<br>R | FINAL<br>BUDGET<br>2018<br>R | ACTUAL<br>OUTCOME<br>2018<br>R | BUDGET<br>VARIANCE<br>2018<br>R | RESTATED<br>OUTCOME<br>2017<br>R |
|---------------------------------------|---------------------------------|------------------------------------|------------------------------|--------------------------------|---------------------------------|----------------------------------|
| <b>EXPENDITURE BY TYPE</b>            |                                 |                                    |                              |                                |                                 |                                  |
| Employee related costs                | 186 951 256                     | 11 820 257                         | 198 771 453                  | 210 337 488                    | (11 562 035)                    | 186 958 914                      |
| Renewal/repair of council/road        | 7 242 394                       | (3 668 935)                        | 5 573 459                    | 5 959 332                      | (385 873)                       | 5 201 912                        |
| Debt repayment                        | 20 675 142                      | 43 747 042                         | 64 422 184                   | 32 991 009                     | 31 431 175                      | 37 676 467                       |
| Depreciation & asset impairment       | 46 920 678                      | (546 736)                          | 46 373 942                   | 48 158 553                     | (2 784 611)                     | 48 185 629                       |
| Finance charges                       | 2 292 887                       | (2 290 506)                        | 1 000 000                    | 5 445 688                      | (4 442 887)                     | 5 916 126                        |
| Bulk purchases                        | 9 050 000                       | -                                  | 9 000 000                    | 4 458 788                      | 4 541 212                       | 5 163 950                        |
| Contracted services                   | 113 557 140                     | 43 911 420                         | 157 468 560                  | 14 871 932                     | 140 596 628                     | 14 441 985                       |
| Transfers and grants                  | 16 505 399                      | (8 010 339)                        | 8 495 060                    | 8 495 130                      | (1,000)                         | 7 879 844                        |
| Other expenditure                     | 116 976 388                     | (34 302 036)                       | 100 674 352                  | 232 016 305                    | (129 402 232)                   | 191 275 422                      |
| Loss on disposal of PPE               | -                               | -                                  | -                            | 1 442 285                      | (1 442 285)                     | 529 575                          |
| <b>Total Expenditure</b>              | <b>518 271 972</b>              | <b>73 297 132</b>                  | <b>591 569 103</b>           | <b>565 167 535</b>             | <b>26 401 568</b>               | <b>502 171 278</b>               |
| <b>Surplus/(Deficit)</b>              | <b>(8 923 990)</b>              | <b>12 687 720</b>                  | <b>3 763 730</b>             | <b>(42 406 006)</b>            | <b>46 169 736</b>               | <b>(50 618 846)</b>              |
| Transfers recognised - Capital        | 254 110 000                     | (35 050 000)                       | 219 060 000                  | 132 635 748                    | 86 429 252                      | 250 801 999                      |
| Contributions Recognised - Capital    | -                               | -                                  | -                            | -                              | -                               | -                                |
| <b>Surplus/(Deficit) for the year</b> | <b>245 231 010</b>              | <b>(22 402 280)</b>                | <b>222 828 730</b>           | <b>90 229 743</b>              | <b>132 598 988</b>              | <b>200 183 149</b>               |

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